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## APPENDIX A

### Normality test: M- Estimators for research variables

#### M-Estimators

|  | Huber's M-<br>Estimator <sup>a</sup> | Tukey's<br>Biweight <sup>b</sup> | Hampel's M-<br>Estimator <sup>c</sup> | Andrews'<br>Wave <sup>d</sup> |
|--|--------------------------------------|----------------------------------|---------------------------------------|-------------------------------|
| Intellectual resource<br>preparedness        | 2.8070                               | 2.7997                           | 2.8025                                | 2.7997                        |
| Human resource<br>preparedness               | 3.5234                               | 3.5297                           | 3.5233                                | 3.5299                        |
| Financial resource<br>preparedness           | 2.3954                               | 2.3640                           | 2.3694                                | 2.3616                        |
| Organization resource<br>preparedness        | 3.4631                               | 3.4812                           | 3.4869                                | 3.4819                        |
| Timeliness of audit report                   | 2.3165                               | 2.2683                           | 2.3036                                | 2.2678                        |
| Adoption level of Clarified<br>ISAs and ISQC | 2.3288                               | 2.3409                           | 2.3259                                | 2.3412                        |

a. The weighting constant is 1.339.

b. The weighting constant is 4.685.

c. The weighting constants are 1.700, 3.400, and 8.500

d. The weighting constant is  $1.340 \cdot \pi$ .

Normality test: Descriptive Analysis: Mean, Median, 5% Trimmed Mean, Skewness, kurtosis

| Descriptive                               |                 | Statistic | Std. Error |
|---|-----------------|-----------|------------|
| Intellectual Resource Preparedness        | Mean            | 2.9936    | .10785     |
|   | 5% Trimmed Mean | 2.9953    |            |
|   | Median          | 3.0000    |            |
|   | Skewness        | -.119     | .272       |
|   | Kurtosis        | -.729     | .538       |
| Human Resource Preparedness               | Mean            | 3.3485    | .08167     |
|   | 5% Trimmed Mean | 3.3328    |            |
|   | Median          | 3.3182    |            |
|   | Skewness        | .181      | .272       |
|   | Kurtosis        | -.521     | .538       |
| Financial Resource Preparedness           | Mean            | 2.5171    | .08807     |
|   | 5% Trimmed Mean | 2.5142    |            |
|   | Median          | 2.6667    |            |
|   | Skewness        | -.111     | .272       |
|   | Kurtosis        | -.319     | .538       |
| Organization Resource Preparedness        | Mean            | 3.1090    | .09933     |
|   | 5% Trimmed Mean | 3.1159    |            |
|   | Median          | 3.0000    |            |
|   | Skewness        | -.025     | .272       |
|   | Kurtosis        | -.554     | .538       |
| Adoption level of Clarified ISAs and ISQC | Mean            | 2.2588    | .05066     |
|   | 5% Trimmed Mean | 2.2690    |            |
|   | Median          | 2.2703    |            |
|   | Skewness        | -.259     | .272       |
|   | Kurtosis        | -.478     | .538       |
| Timeliness of Audit Report                | Mean            | 2.4801    | .10045     |
|   | 5% Trimmed Mean | 2.4525    |            |
|   | Median          | 2.5000    |            |
|   | Skewness        | .376      | .272       |
|   | Kurtosis        | -.018     | .538       |

### Normality test: Kolmogorov-Smirnov Statistic

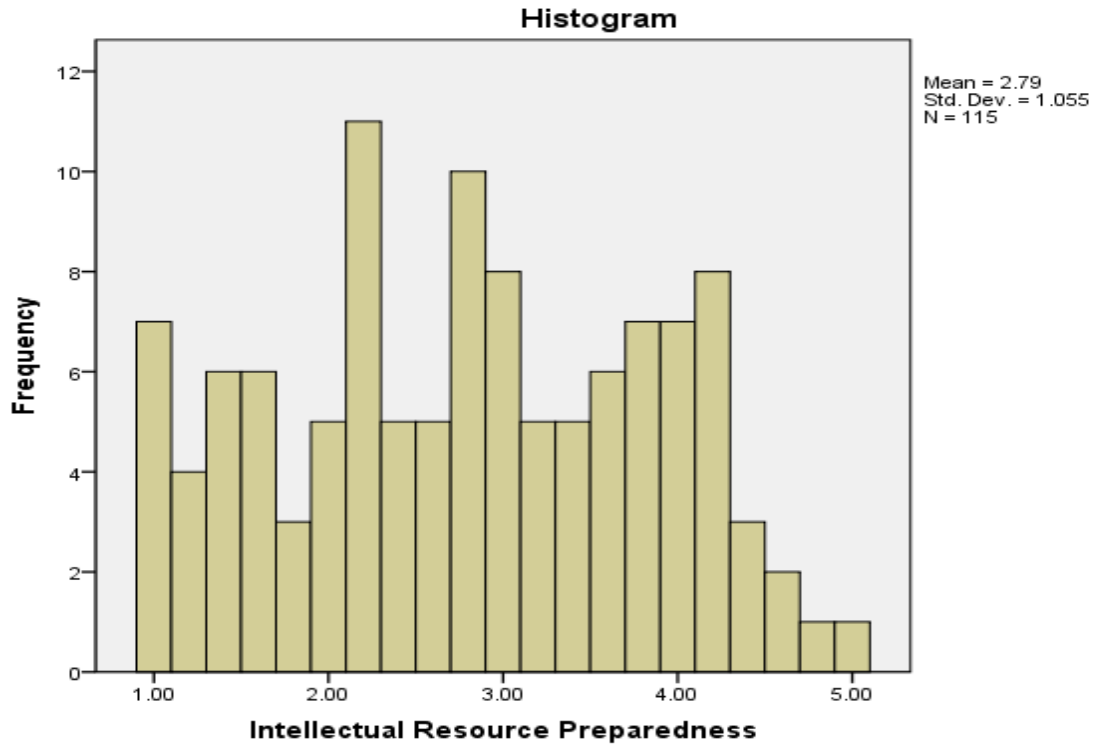
| Tests of Normality                        |                                 |     |                   |              |     |      |
|---|---------------------------------|-----|-------------------|--------------|-----|------|
|   | Kolmogorov-Smirnov <sup>a</sup> |     |                   | Shapiro-Wilk |     |      |
|   | Statistic                       | df  | Sig.              | Statistic    | df  | Sig. |
| Intellectual Resource Preparedness        | .082                            | 115 | .057              | .965         | 115 | .004 |
| Human Resource Preparedness               | .064                            | 115 | .200 <sup>*</sup> | .985         | 115 | .251 |
| Financial Resource Preparedness           | .132                            | 115 | .000              | .938         | 115 | .000 |
| Organization Resource Preparedness        | .083                            | 115 | .047              | .977         | 115 | .045 |
| Timeliness of Audit Report                | .089                            | 115 | .025              | .963         | 115 | .003 |
| Adoption level of Clarified ISAs and ISQC | .094                            | 115 | .014              | .968         | 115 | .008 |

\*. This is a lower bound of the true significance.

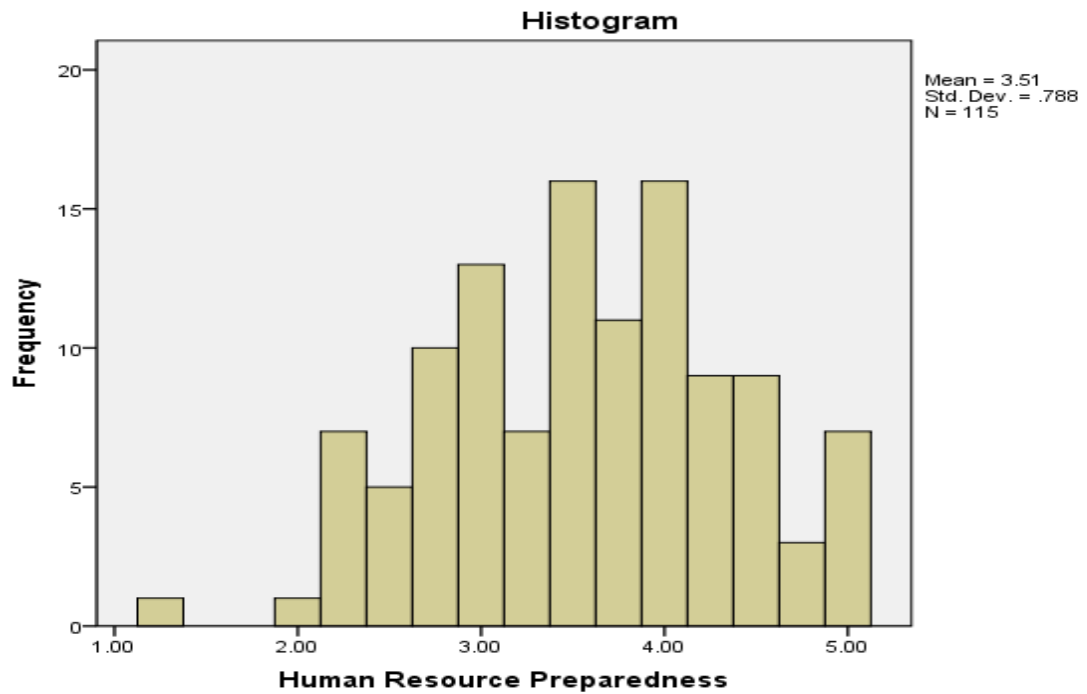
a. Lilliefors Significance Correction

### Normality Test: Histogram for research variable

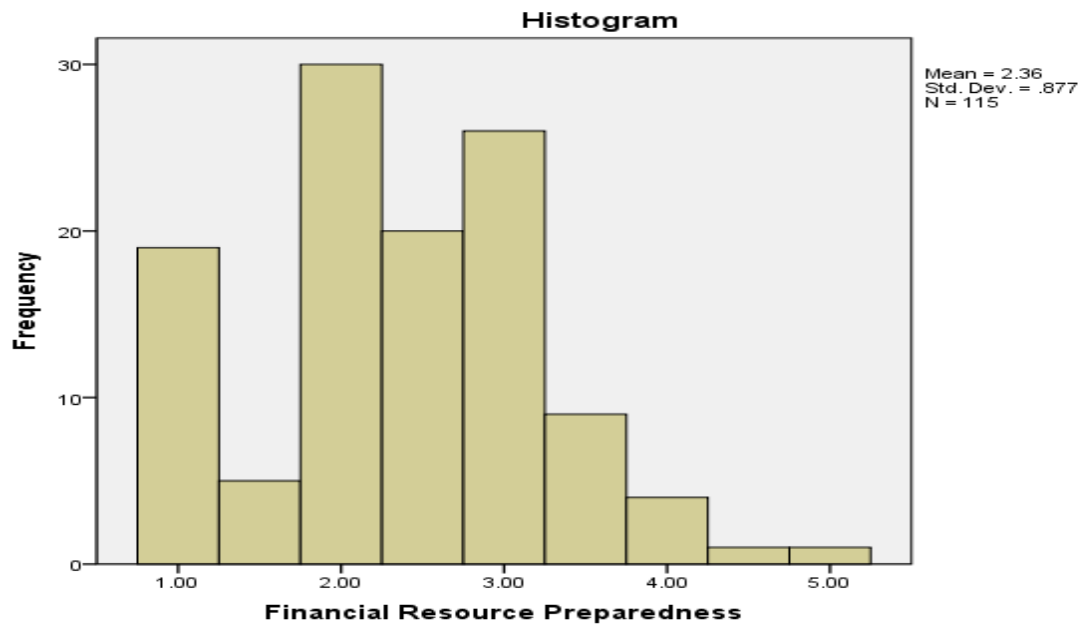
Histogram: Intellectual Resource Preparedness for Clarified ISAs and ISQC



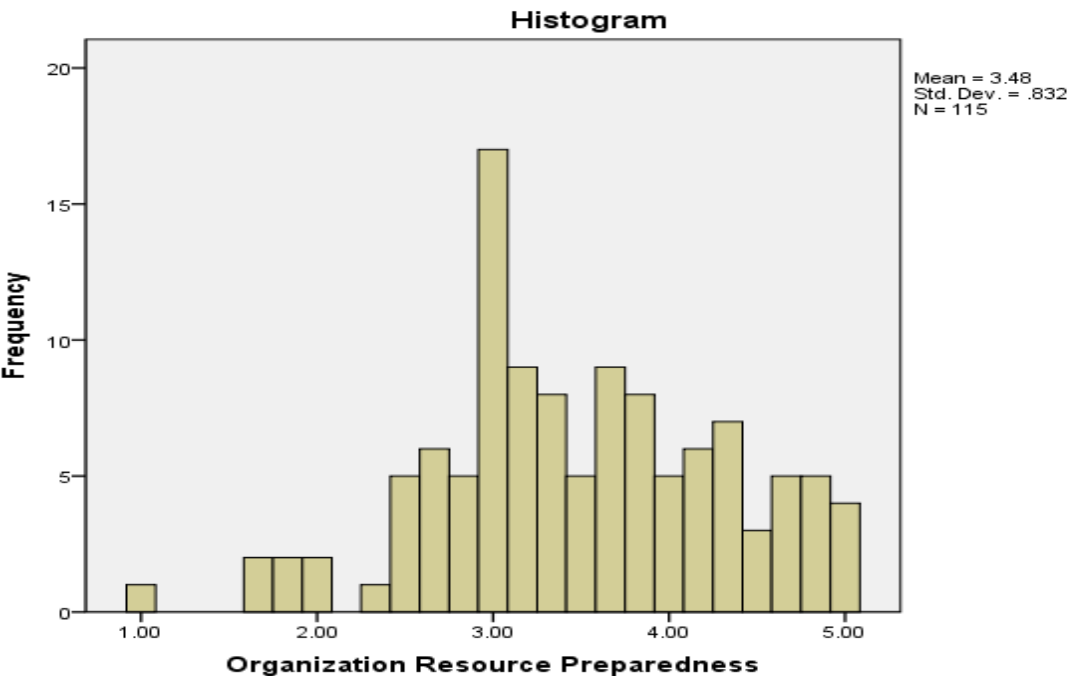
Histogram: Human Resource Preparedness For Clarified ISAs and ISQC



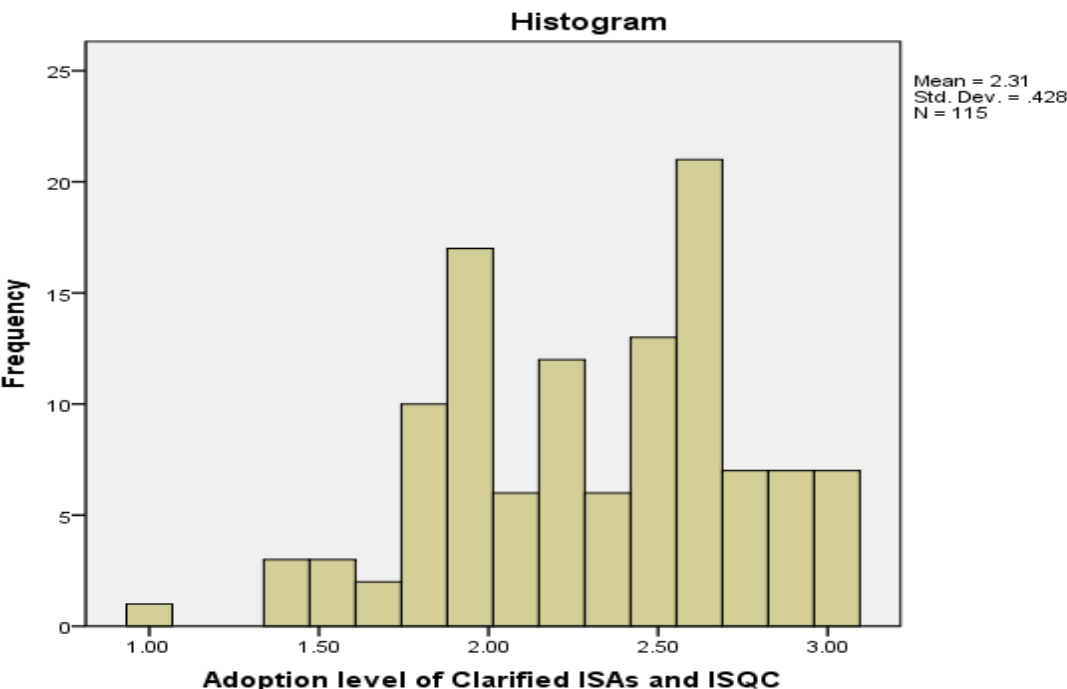
Histogram: Financial Resource Preparedness For Clarified ISAs and ISQC



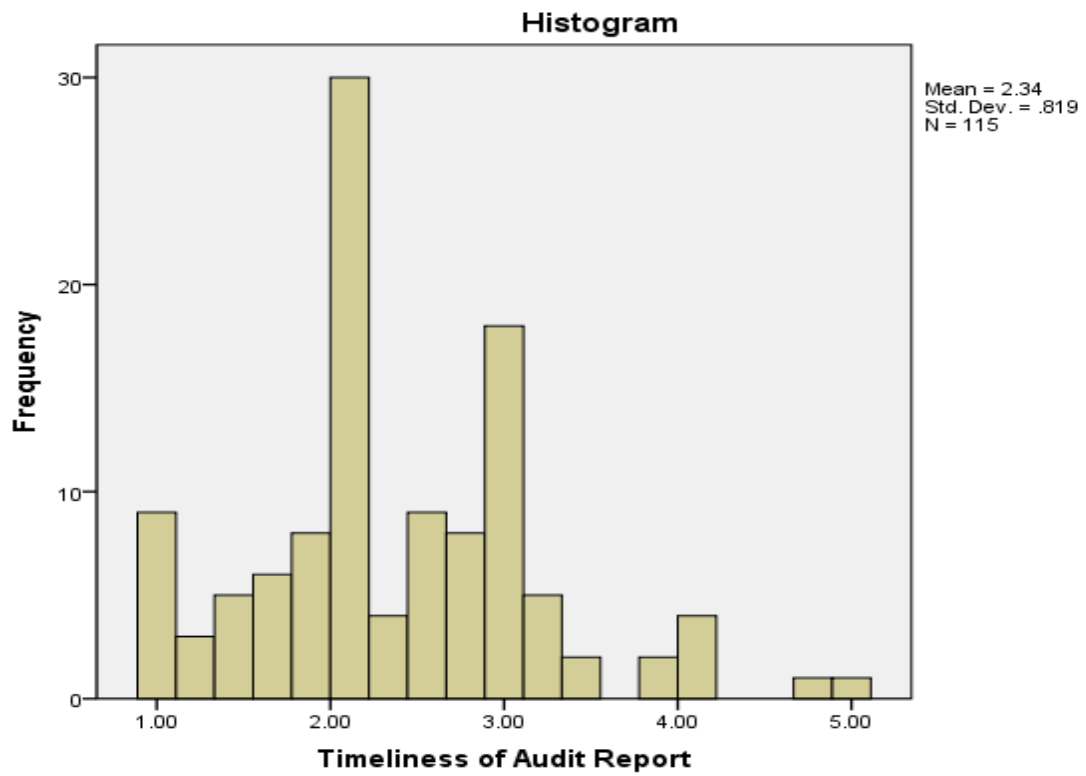
Histogram: Organizational Resource Preparedness For Clarified ISAs and ISQC



Histogram: Adoption level For Clarified ISAs and ISQC

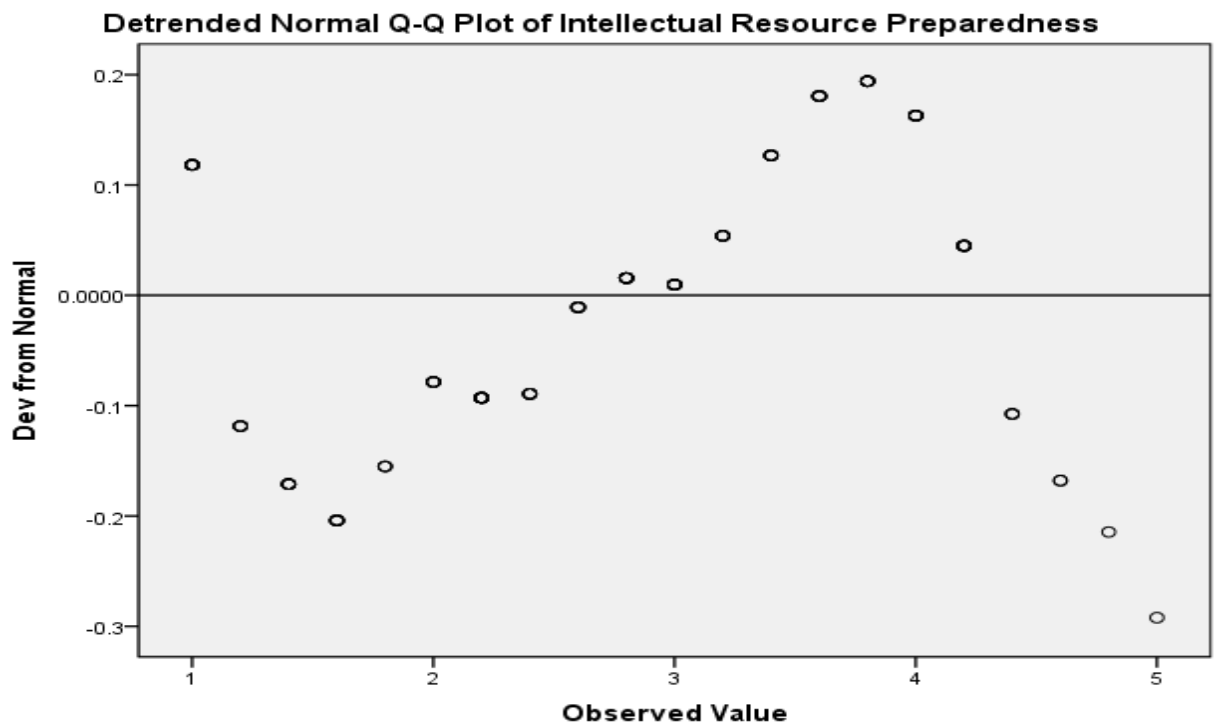
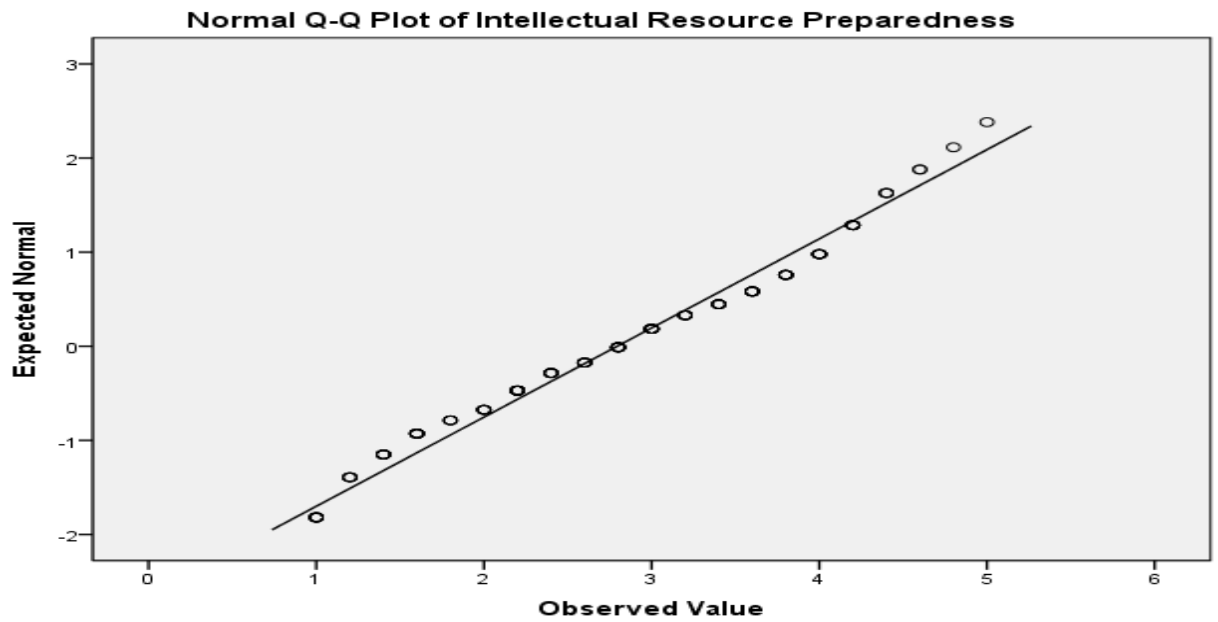


Histogram: Timeliness of Audit Report

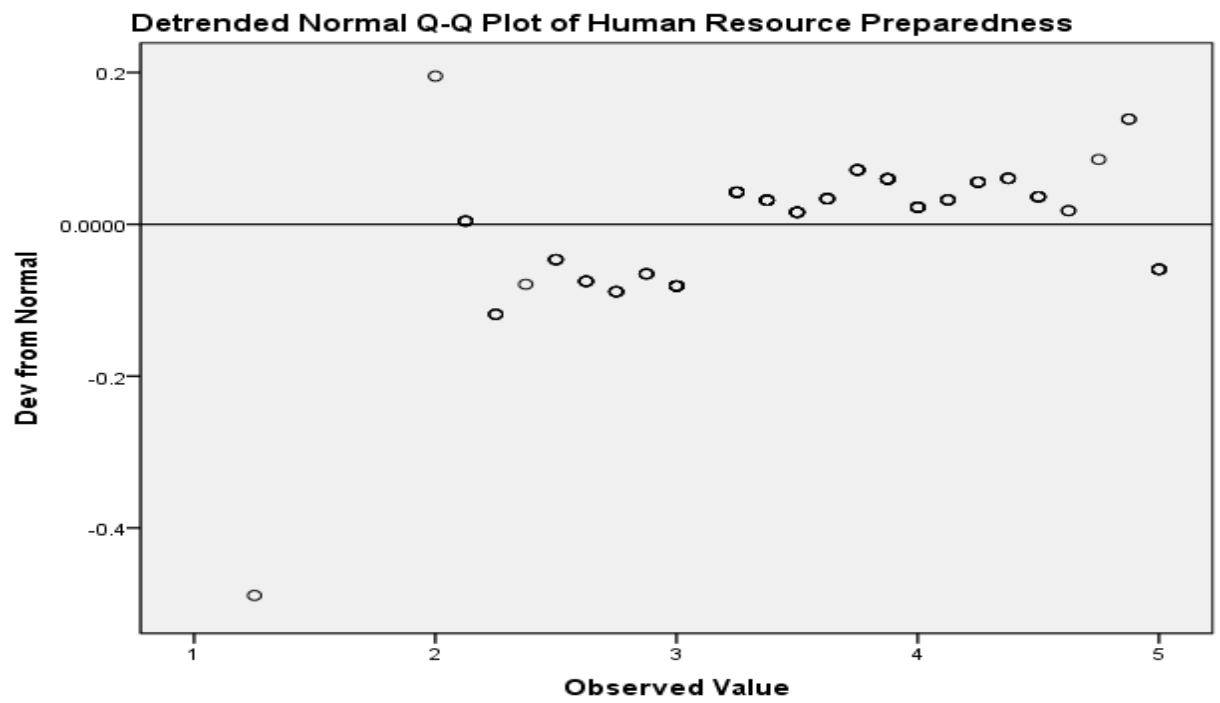
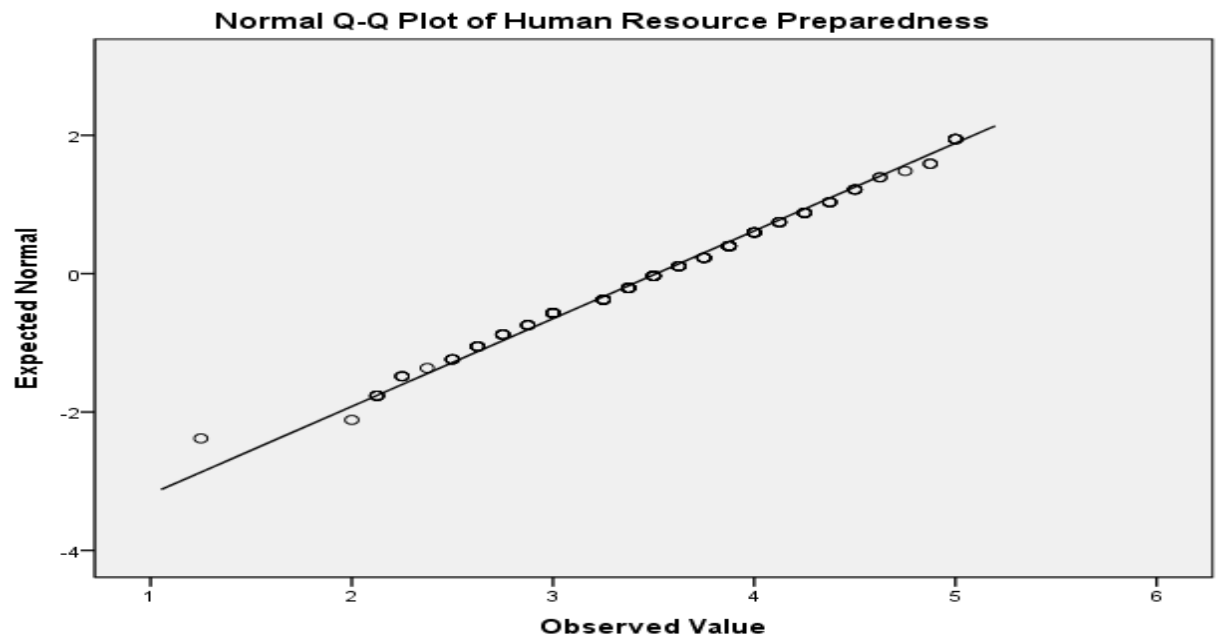


Normality test: Normal Probability Plots and Detrended Normal Plots  
Plots for Intellectual Resource Preparedness

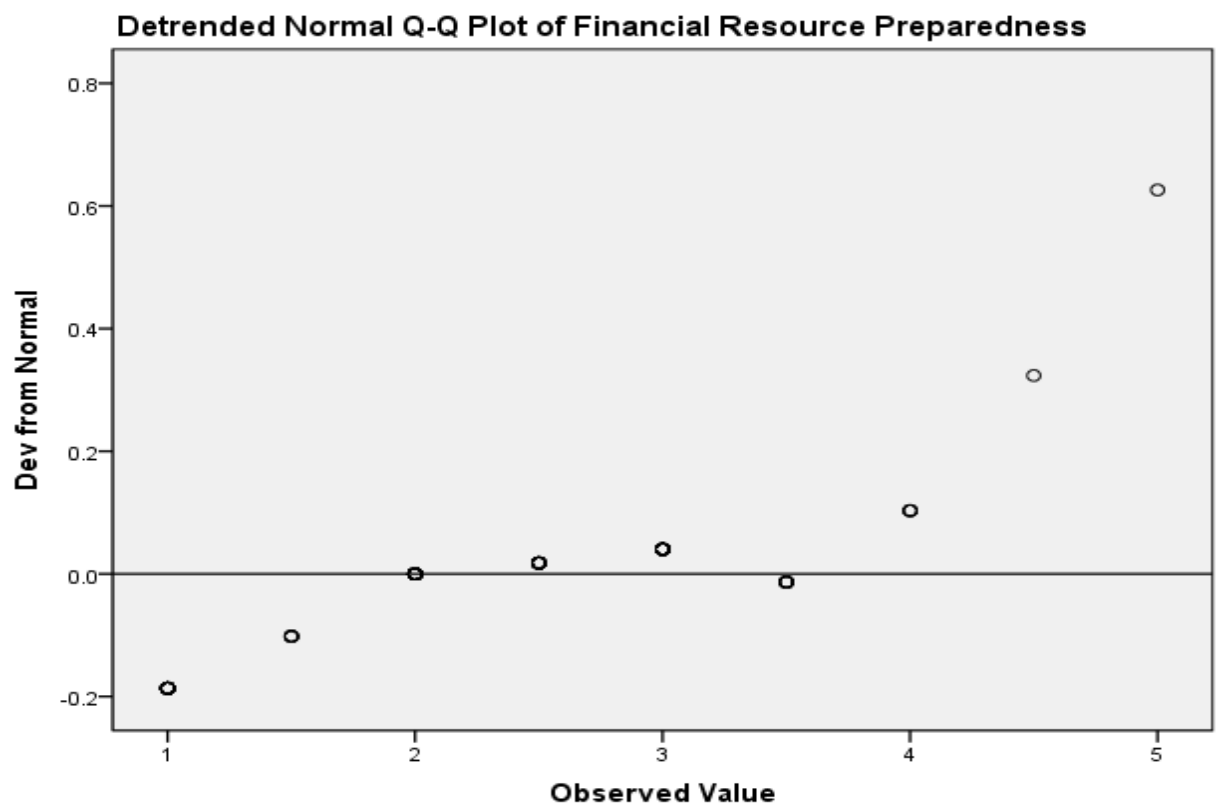
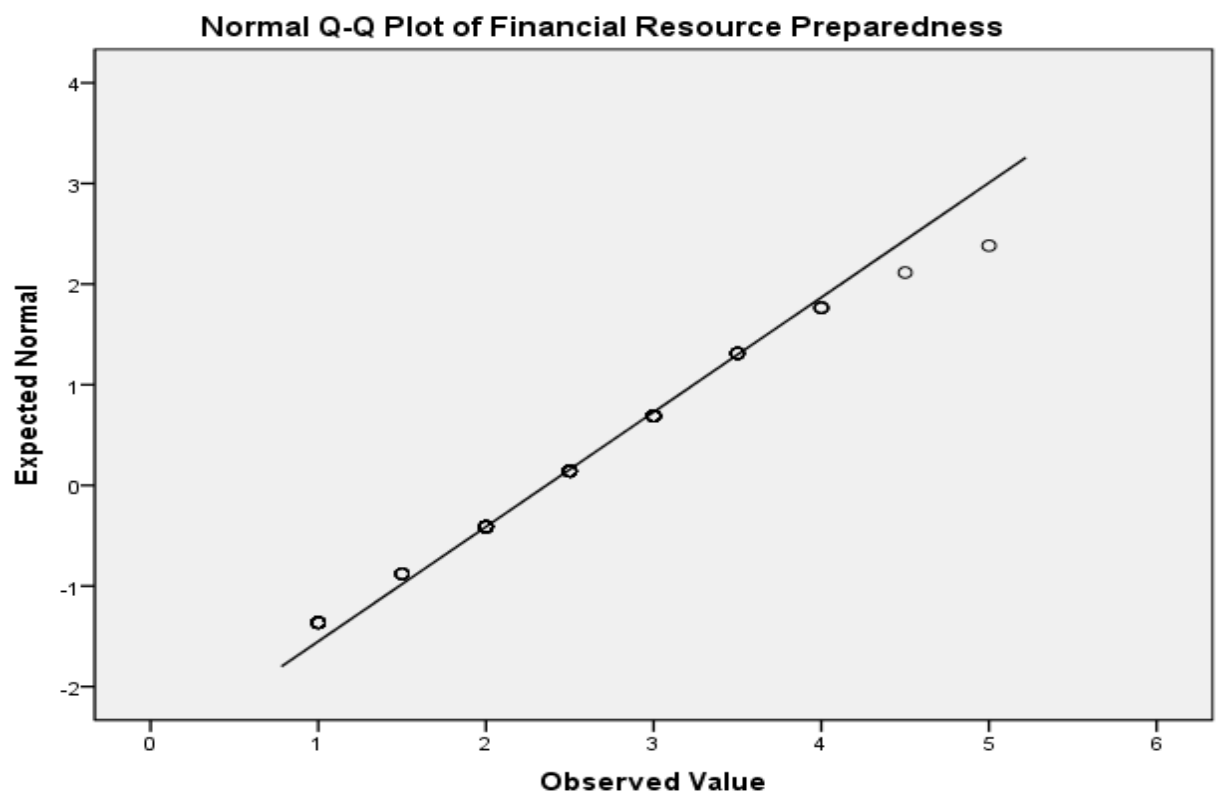




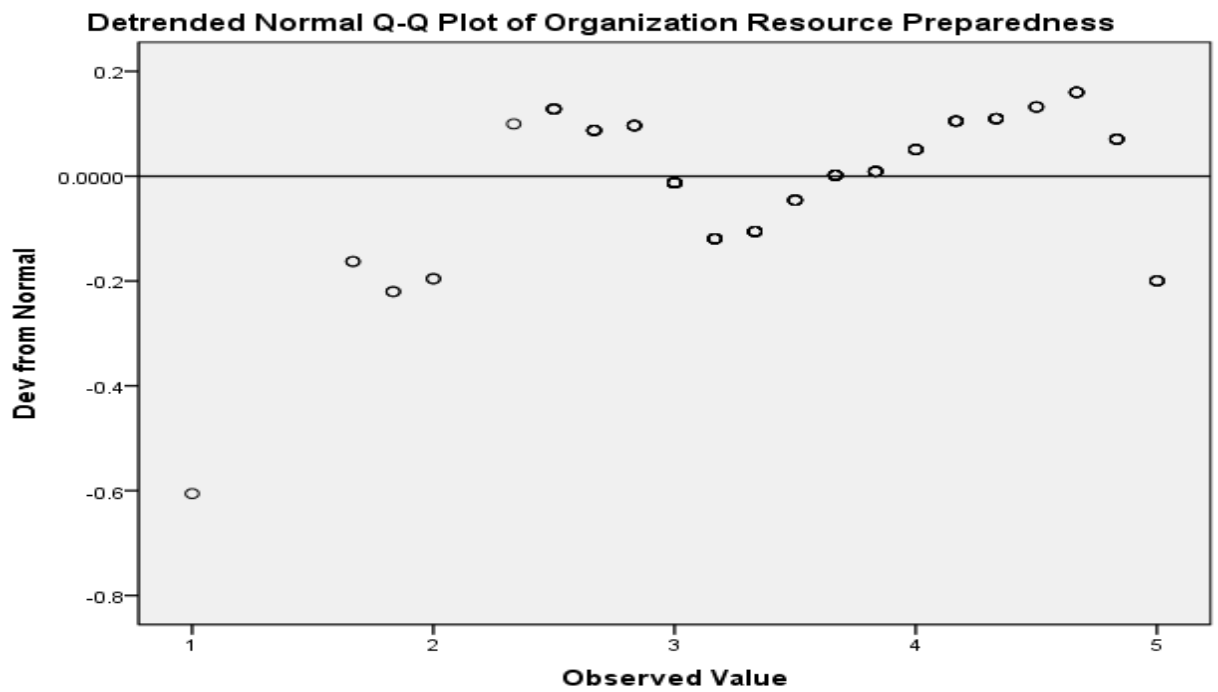
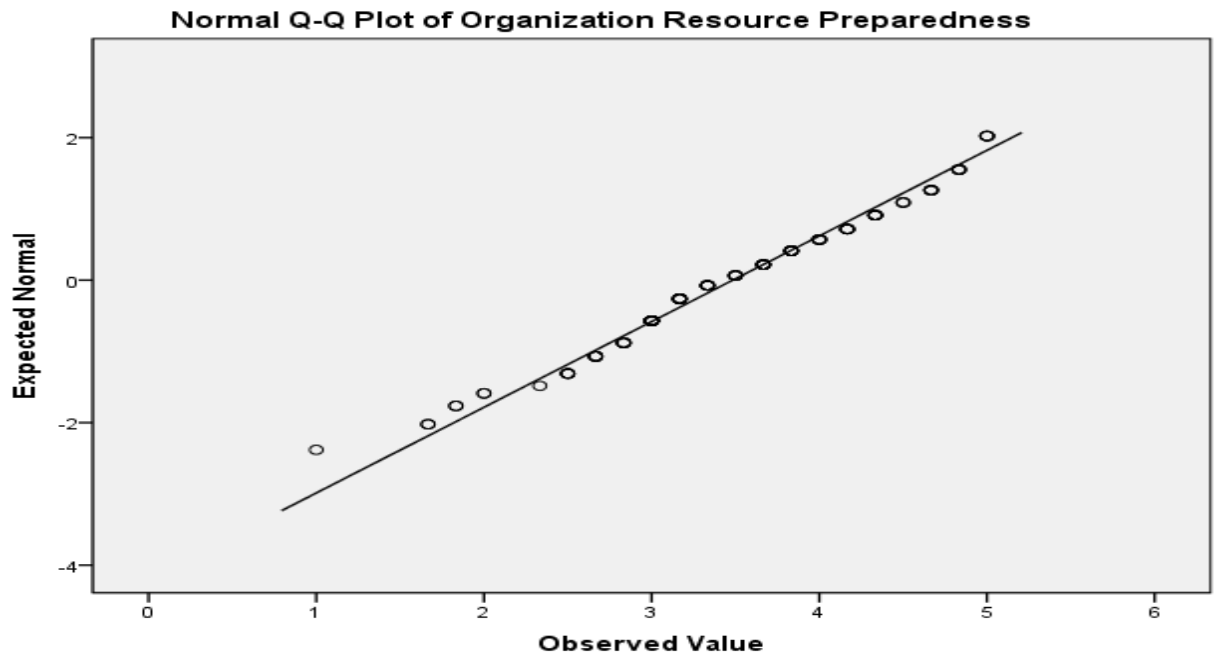
Plots for Human Resource Preparedness



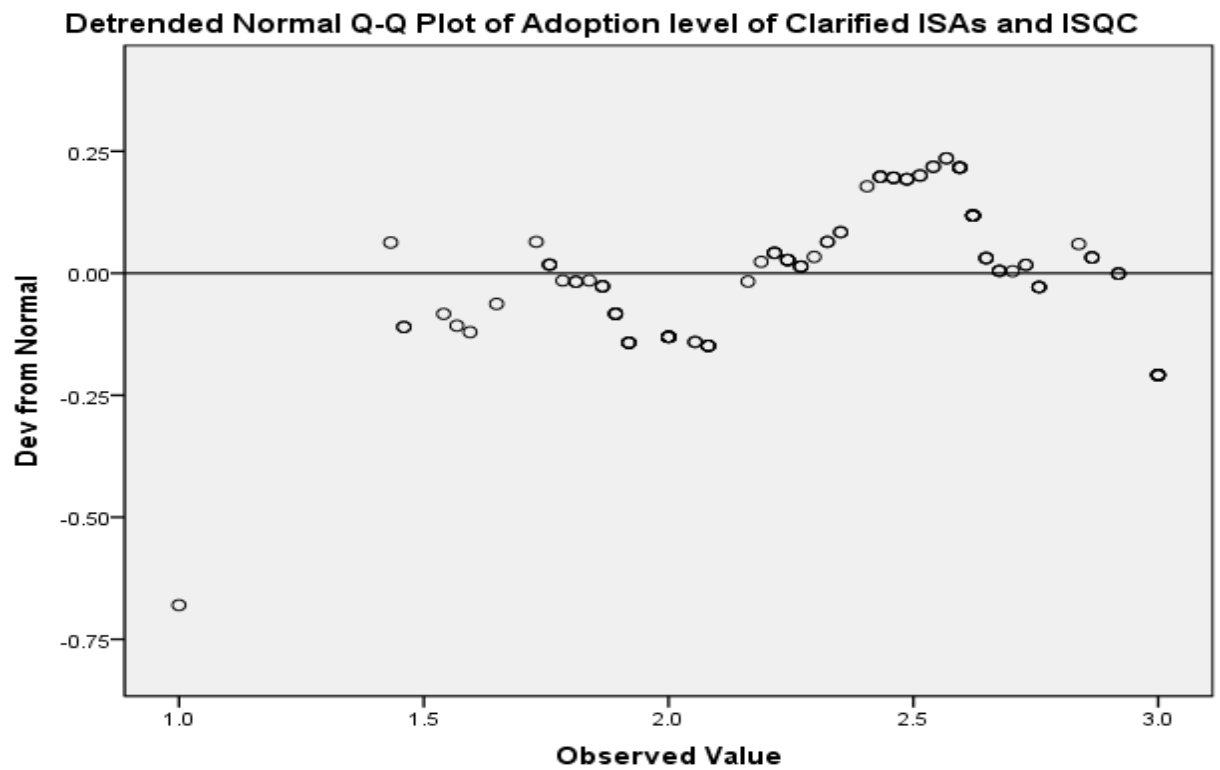
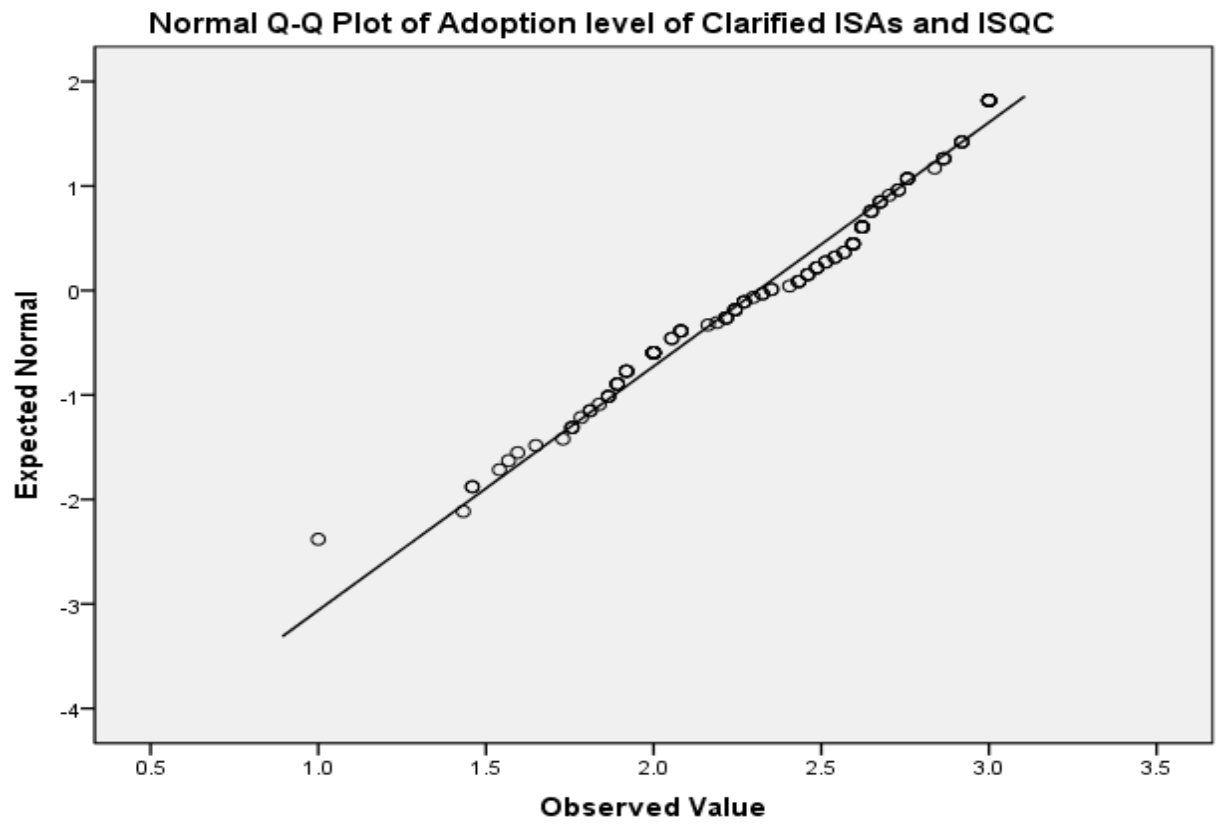
Plots for Financial Resource Preparedness



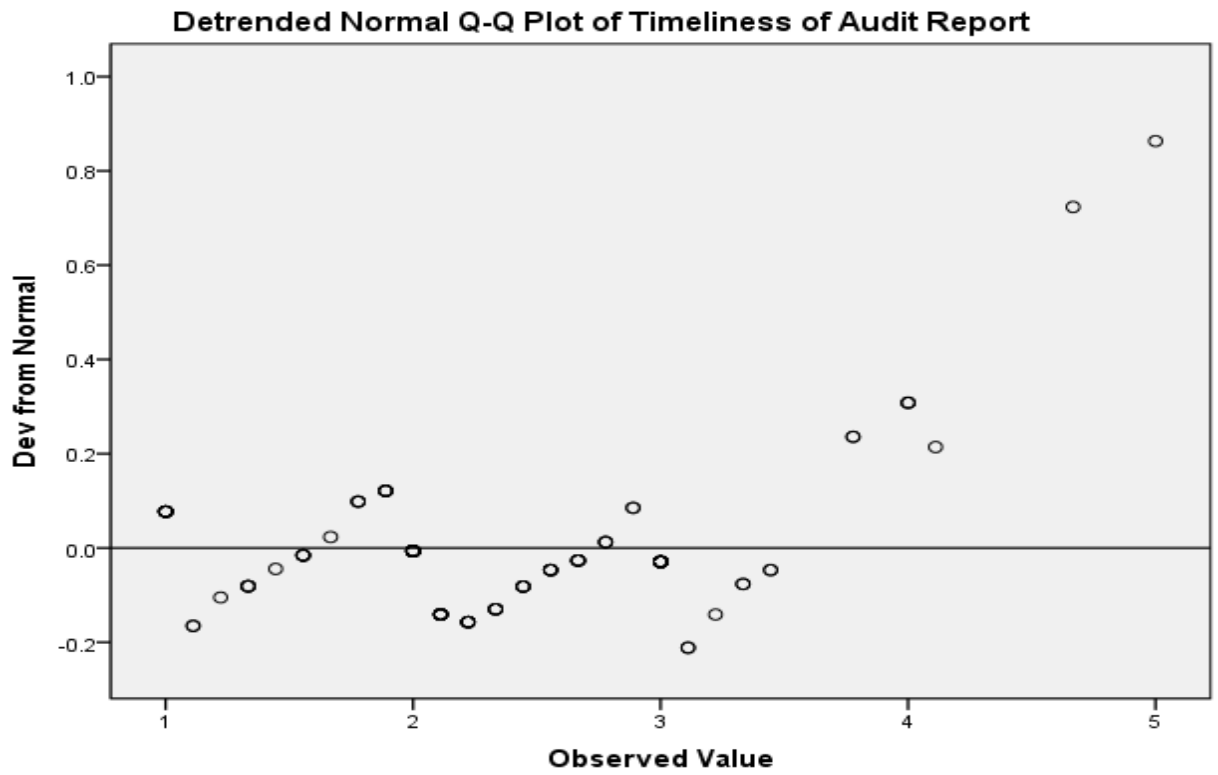
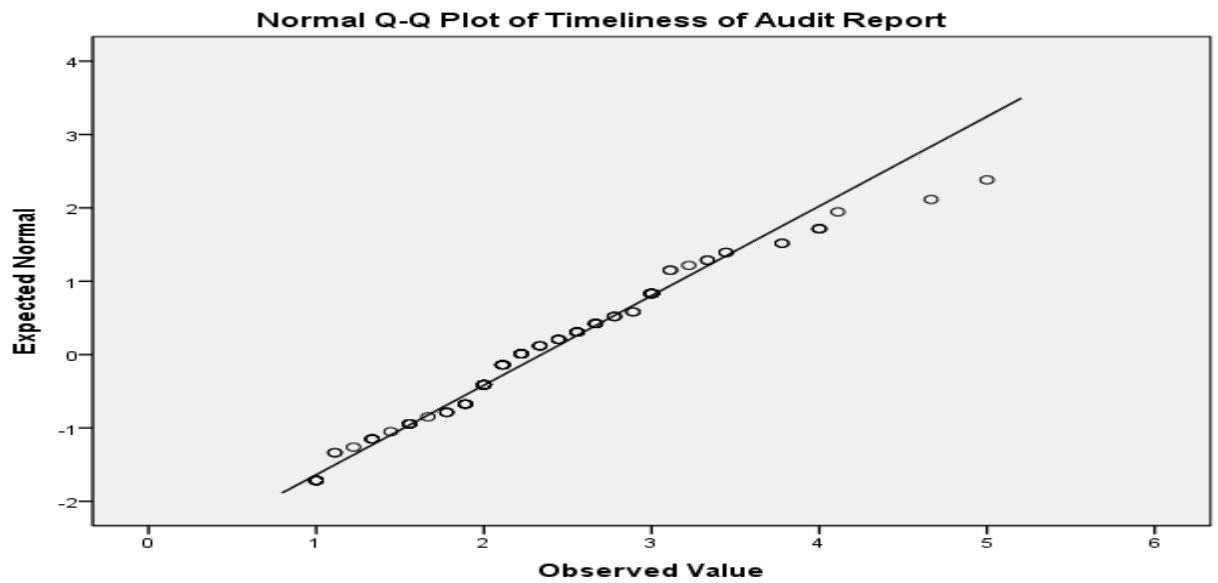
## Plots for Organization Resource Preparedness



## Plot for adoption of Clarified ISAs and ISQC



Plot for timeliness of audit report



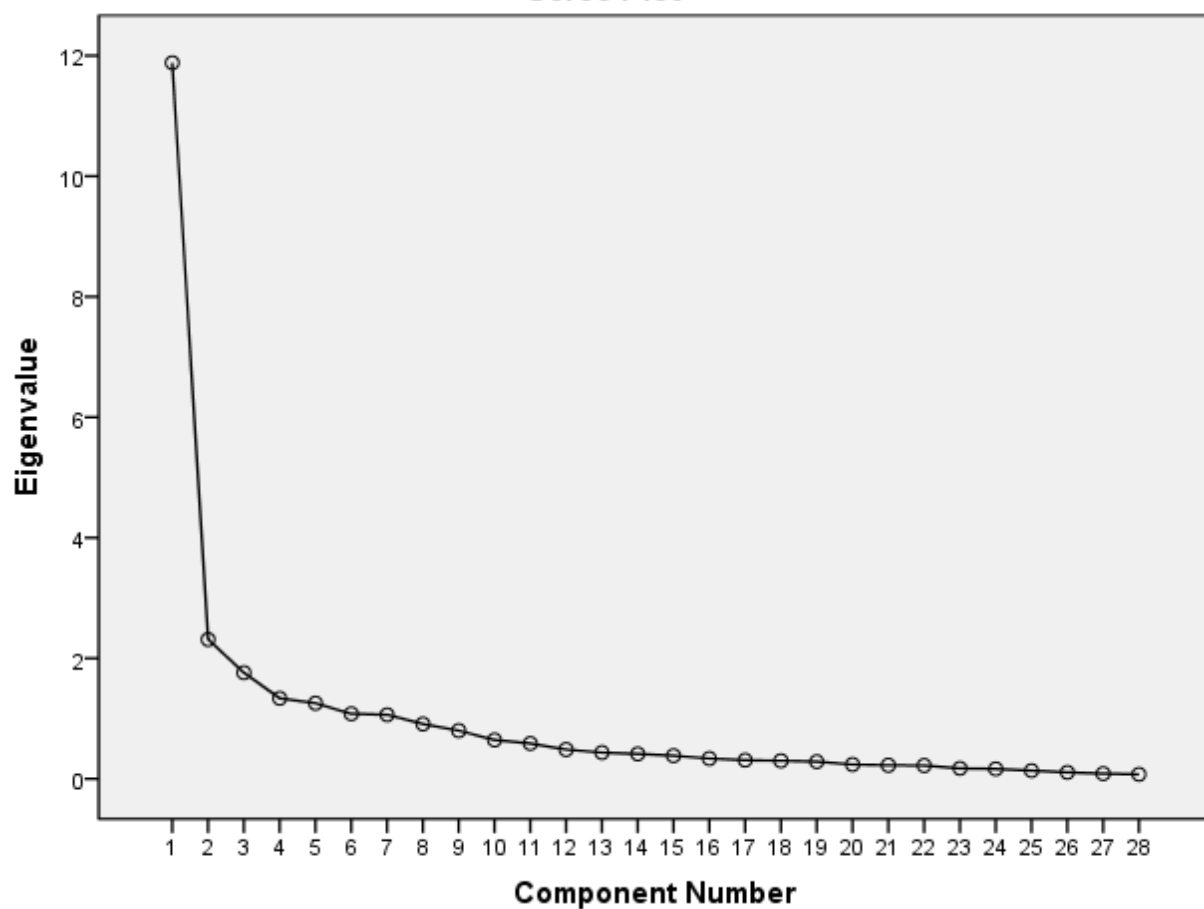
## APPENDIX B

### Factor Analysis for the Resource Preparedness

#### KMO and Bartlett's Test

|  |      |          |
|--|------|----------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. |      | .881     |
| Approx. Chi-Square                               |      | 2300.798 |
| Bartlett's Test of Sphericity                    | df   | 378      |
|  | Sig. | .000     |

#### Scree Plot



**Total Variance Explained**

| Component | Initial Eigenvalues |               |              | Extraction Sums of Squared Loadings |               |              |
|-----------|---------------------|---------------|--------------|-------------------------------------|---------------|--------------|
|           | Total               | % of Variance | Cumulative % | Total                               | % of Variance | Cumulative % |
| 1         | 11.882              | 42.436        | 42.436       | 11.882                              | 42.436        | 42.436       |
| 2         | 2.313               | 8.259         | 50.696       | 2.313                               | 8.259         | 50.696       |
| 3         | 1.760               | 6.287         | 56.983       | 1.760                               | 6.287         | 56.983       |
| 4         | 1.336               | 4.771         | 61.754       |                                     |               |              |
| 5         | 1.254               | 4.480         | 66.233       |                                     |               |              |
| 6         | 1.078               | 3.851         | 70.084       |                                     |               |              |
| 7         | 1.063               | 3.797         | 73.881       |                                     |               |              |
| 8         | .910                | 3.250         | 77.131       |                                     |               |              |
| 9         | .800                | 2.858         | 79.989       |                                     |               |              |
| 10        | .645                | 2.302         | 82.291       |                                     |               |              |
| 11        | .586                | 2.094         | 84.385       |                                     |               |              |
| 12        | .485                | 1.732         | 86.117       |                                     |               |              |
| 13        | .436                | 1.558         | 87.675       |                                     |               |              |
| 14        | .413                | 1.477         | 89.152       |                                     |               |              |
| 15        | .383                | 1.369         | 90.521       |                                     |               |              |
| 16        | .336                | 1.201         | 91.722       |                                     |               |              |
| 17        | .309                | 1.105         | 92.827       |                                     |               |              |
| 18        | .300                | 1.071         | 93.898       |                                     |               |              |
| 19        | .284                | 1.016         | 94.914       |                                     |               |              |
| 20        | .237                | .845          | 95.759       |                                     |               |              |
| 21        | .225                | .804          | 96.563       |                                     |               |              |
| 22        | .221                | .790          | 97.353       |                                     |               |              |
| 23        | .174                | .622          | 97.975       |                                     |               |              |
| 24        | .164                | .587          | 98.562       |                                     |               |              |
| 25        | .135                | .481          | 99.043       |                                     |               |              |
| 26        | .108                | .385          | 99.428       |                                     |               |              |
| 27        | .085                | .304          | 99.732       |                                     |               |              |
| 28        | .075                | .268          | 100.000      |                                     |               |              |

Extraction Method: Principal Component Analysis.



**Rotated Component Matrix<sup>a</sup>**

|   | Component   |             |   |
|---|-------------|-------------|---|
|   | 1           | 2           | 3 |
| A28. The firm has incorporated the clarified ISAs and ISQC in their audit methodology and firm policy.  | <b>.853</b> |             |   |
| A25 The firm has structured audit programme incorporating the updated Clarified ISAs and ISQC.  | <b>.833</b> |             |   |
| A24. The firm regards internal culture as critically important in striving excellence in relation to audit quality  | <b>.822</b> |             |   |
| A27. The firm has audit quality control system required and complied with ISQC  | <b>.794</b> |             |   |
| A17. The auditors have commitment and good attitude in performing the audit for the client by complying with the Clarified ISAs and ISQC                                | <b>.720</b> |             |   |
| A15. The remuneration policy of the firm is sufficient to attract, retain and motivate the audit staff to comply with clarified ISAs and ISQC                           | <b>.709</b> |             |   |
| A20. The firm has allocated sufficient budget for training on Clarified ISAs and ISQC   | <b>.699</b> |             |   |
| A16. The auditors have appropriate knowledge and skill to perform the audit work in compliance with Clarified ISAs and ISQC   | <b>.692</b> |             |   |
| A26 The firm has high quality technical support team on Clarified ISAs and ISQC   | <b>.662</b> |             |   |
| A14. The firm has appropriate recruitment procedure in recruiting quality audit staff   | <b>.660</b> |             |   |
| A11. Firm provides auditing training on clarified ISA and ISQC regularly to the staff   | <b>.581</b> | .507        |   |
| A12. Audit staffs are required to achieve the Continuing Professional Education although they are not the member of professional accounting body                        | <b>.577</b> |             |   |
| A3. The firm has capable IT staff to take care of technical aspect of the firm IT system  | .566        | <b>.546</b> |   |
| A13. The firm has appropriate performance appraisal system to motivate the audit staff to comply with clarified ISA and ISQC  | <b>.565</b> |             |   |
| A21. The firm has established international affiliations to widen their networking with other audit firms worldwide   |             |             |   |
| A1 The staff used IT tool in performing audit work such as internet, email, working papers groupware, personal data assistant, social networking, and instant messenger |             |             |   |
| A23. The firm has formed local network with other audit firms and other service providers   |             |             |   |
| A5. The firm used the computer assisted audit technique (CAATs) in performing the audit work.   |             | <b>.839</b> |   |
| A6. Online training is provided on Clarified ISA and ISQC to the audit staff  |             | <b>.787</b> |   |
| A4 The firm has in-house proprietary audit software to perform audit work.  |             | <b>.734</b> |   |
| A7. The firm has industry specialization training programme   |             | .728        |   |
| A8. The firm has subdivided the audit team based on industry  |             | .682        |   |
| A22. The firm is part of a highly structured network where all the member firms are required to adopt the standardized audit methodology                                |             | <b>.553</b> |   |

|   | Component |   |             |
|---|-----------|---|-------------|
|   | 1         | 2 | 3           |
| A2. The firm has their own server for internal database management system which comprises of the information of Clarified ISA and ISQC. |           |   |             |
| A18 The firm charges audit fees at higher than market rate to the client  |           |   | <b>.696</b> |
| A19. The firm earns higher than market norm profit for the past 5 years   |           |   | <b>.611</b> |
| A10 Majority of the auditors must be member of the professional accounting body   |           |   |             |
| A9 The firm maintain a long term relationship with the client   |           |   |             |

Extraction Method: Principal Component Analysis.

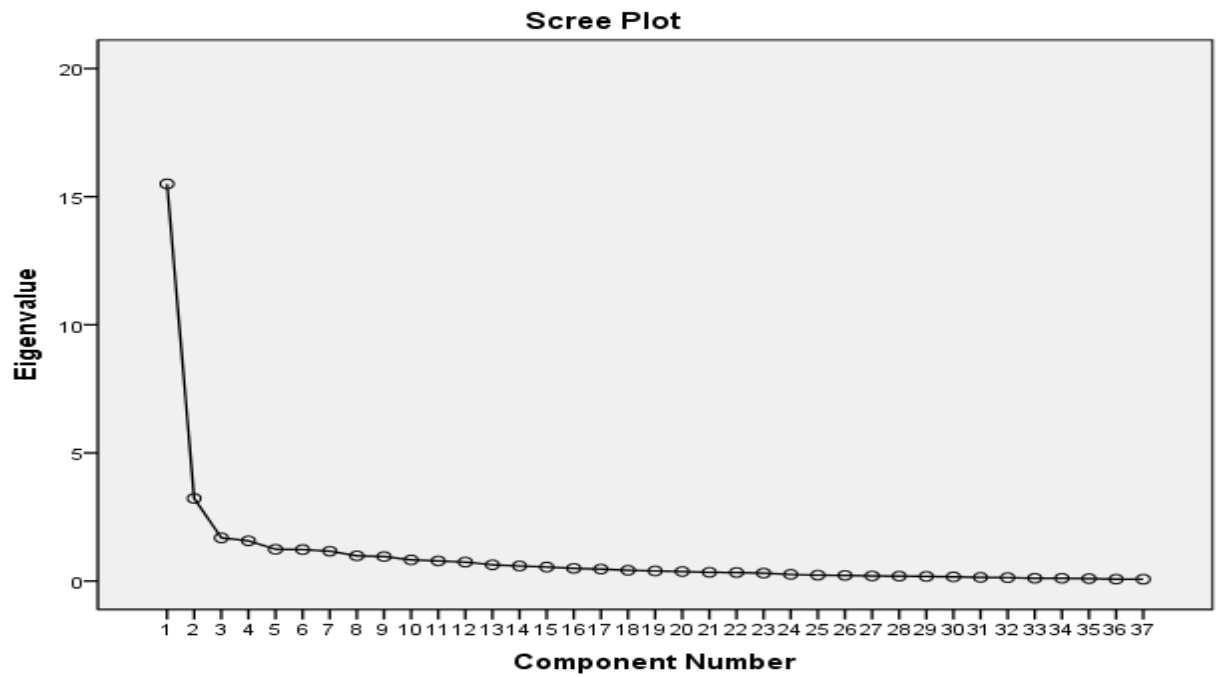
Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 10 iterations.

### Factor Analysis for adoption of Clarified ISAs and ISQC

#### KMO and Bartlett's Test

|  |      |          |
|--|------|----------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. |      | .897     |
| Approx. Chi-Square                               |      | 3184.556 |
| Bartlett's Test of Sphericity                    | df   | 666      |
|  | Sig. | .000     |



**Total Variance Explained(Extraction Method: Principal Component Analysis.)**

| Component | Initial Eigenvalues |               |              | Extraction Sums of Squared Loadings |               |              |
|-----------|---------------------|---------------|--------------|-------------------------------------|---------------|--------------|
|           | Total               | % of Variance | Cumulative % | Total                               | % of Variance | Cumulative % |
| 1         | 15.499              | 41.890        | 41.890       | 15.499                              | 41.890        | 41.890       |
| 2         | 3.227               | 8.722         | 50.612       |                                     |               |              |
| 3         | 1.686               | 4.556         | 55.168       |                                     |               |              |
| 4         | 1.571               | 4.246         | 59.413       |                                     |               |              |
| 5         | 1.239               | 3.350         | 62.763       |                                     |               |              |
| 6         | 1.230               | 3.325         | 66.088       |                                     |               |              |
| 7         | 1.165               | 3.150         | 69.238       |                                     |               |              |
| 8         | .984                | 2.660         | 71.898       |                                     |               |              |
| 9         | .957                | 2.586         | 74.484       |                                     |               |              |
| 10        | .827                | 2.235         | 76.719       |                                     |               |              |
| 11        | .785                | 2.122         | 78.842       |                                     |               |              |
| 12        | .740                | 2.001         | 80.843       |                                     |               |              |
| 13        | .633                | 1.712         | 82.555       |                                     |               |              |
| 14        | .588                | 1.590         | 84.145       |                                     |               |              |
| 15        | .548                | 1.482         | 85.626       |                                     |               |              |
| 16        | .493                | 1.334         | 86.960       |                                     |               |              |
| 17        | .469                | 1.269         | 88.229       |                                     |               |              |
| 18        | .420                | 1.136         | 89.365       |                                     |               |              |

| Component | Initial Eigenvalues |               |              | Extraction Sums of Squared Loadings |               |              |
|-----------|---------------------|---------------|--------------|-------------------------------------|---------------|--------------|
|           | Total               | % of Variance | Cumulative % | Total                               | % of Variance | Cumulative % |
| 19        | .395                | 1.067         | 90.431       |                                     |               |              |
| 20        | .372                | 1.006         | 91.438       |                                     |               |              |
| 21        | .339                | .918          | 92.355       |                                     |               |              |
| 22        | .334                | .901          | 93.257       |                                     |               |              |
| 23        | .309                | .836          | 94.093       |                                     |               |              |
| 24        | .259                | .700          | 94.793       |                                     |               |              |
| 25        | .230                | .622          | 95.415       |                                     |               |              |
| 26        | .221                | .597          | 96.012       |                                     |               |              |
| 27        | .201                | .543          | 96.555       |                                     |               |              |
| 28        | .191                | .516          | 97.071       |                                     |               |              |
| 29        | .181                | .489          | 97.559       |                                     |               |              |
| 30        | .164                | .444          | 98.003       |                                     |               |              |
| 31        | .142                | .385          | 98.388       |                                     |               |              |
| 32        | .134                | .362          | 98.750       |                                     |               |              |
| 33        | .112                | .301          | 99.052       |                                     |               |              |
| 34        | .110                | .297          | 99.349       |                                     |               |              |
| 35        | .097                | .262          | 99.611       |                                     |               |              |
| 36        | .073                | .198          | 99.809       |                                     |               |              |
| 37        | .071                | .191          | 100.000      |                                     |               |              |

**Component Matrix<sup>a</sup>**

|     | <b>Survey items</b>   | <b>Component</b> |
|-----|---|------------------|
|     |   | <b>1</b>         |
| C1  | ISA 200, Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing | .692             |
| C2  | ISA 210, Agreeing the Terms of Audit Engagements  | .605             |
| C3  | ISA 220, Quality Control for an Audit of Financial Statements   | .816             |
| C4  | ISA 230, Audit Documentation  | .784             |
| C5  | ISA 240, The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements   | .761             |
| C6  | ISA 250, Consideration of Laws and Regulations in an Audit of Financial Statements  | .760             |
| C7  | ISA 260, Communication with Those Charged with Governance   | .629             |
| C8  | ISA 265, Communicating Deficiencies in Internal Control to Those Charged with Governance and Management                                   | .598             |
| C9  | ISA 300, Planning an Audit of Financial Statements  | .675             |
| C10 | ISA 315, Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment                | .789             |
| C11 | ISA 320, Materiality in Planning and Performing an Audit  | .599             |
| C12 | ISA 330, The Auditor's Responses to Assessed Risks  | .783             |
| C13 | ISA 402, Audit Considerations Relating to an Entity Using a Service Organization  | .557             |
| C14 | ISA 450, Evaluation of Misstatements Identified during the Audit  | .738             |
| C15 | ISA 500, Audit Evidence   | .619             |
| C16 | ISA 501, Audit Evidence-Specific Considerations for Selected Items  | .599             |
| C17 | ISA 505, External Confirmations   | .462             |
| C18 | ISA 510, Initial Audit Engagements-Opening Balances   | .470             |
| C19 | ISA 520, Analytical Procedures  | .703             |
| C20 | ISA 530, Audit Sampling   | .668             |
| C21 | ISA 540, Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures                                | .708             |
| C22 | ISA 550, Related Parties  | .718             |
| C23 | ISA 560, Subsequent Events  | .776             |
| C24 | ISA 570, Going Concern  | .747             |
| C25 | ISA 580, Written Representations  | .603             |
| C26 | ISA 600, Special Considerations-Audits of Group Financial Statements (Including the Work of Component Auditors)                           | .665             |

|     | Survey items   | Component |
|-----|--|-----------|
|     |  | 1         |
| C27 | ISA 610, Using the Work of Internal Auditors   | .472      |
| C28 | ISA 620, Using the Work of an Auditor's Expert   | .516      |
| C29 | ISA 700, Forming an Opinion and Reporting on Financial Statements  | .718      |
| C30 | ISA 705, Modifications to the Opinion in the Independent Auditor's Report  | .519      |
| C31 | ISA 706, Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report   | .542      |
| C32 | ISA 710, Comparative Information-Corresponding Figures and Comparative Financial Statements  | .611      |
| C33 | ISA 720, The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements   | .698      |
| C34 | ISA 800, Special Considerations-Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks  | .463      |
| C35 | ISA 805, Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement  | .333      |
| C36 | ISA 810, Engagements to Report on Summary Financial Statements   | .490      |
| C37 | International Standard on Quality Control (ISQC) 1, Quality Controls for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements | .683      |

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

### Factor Analysis for the timeliness of audit report

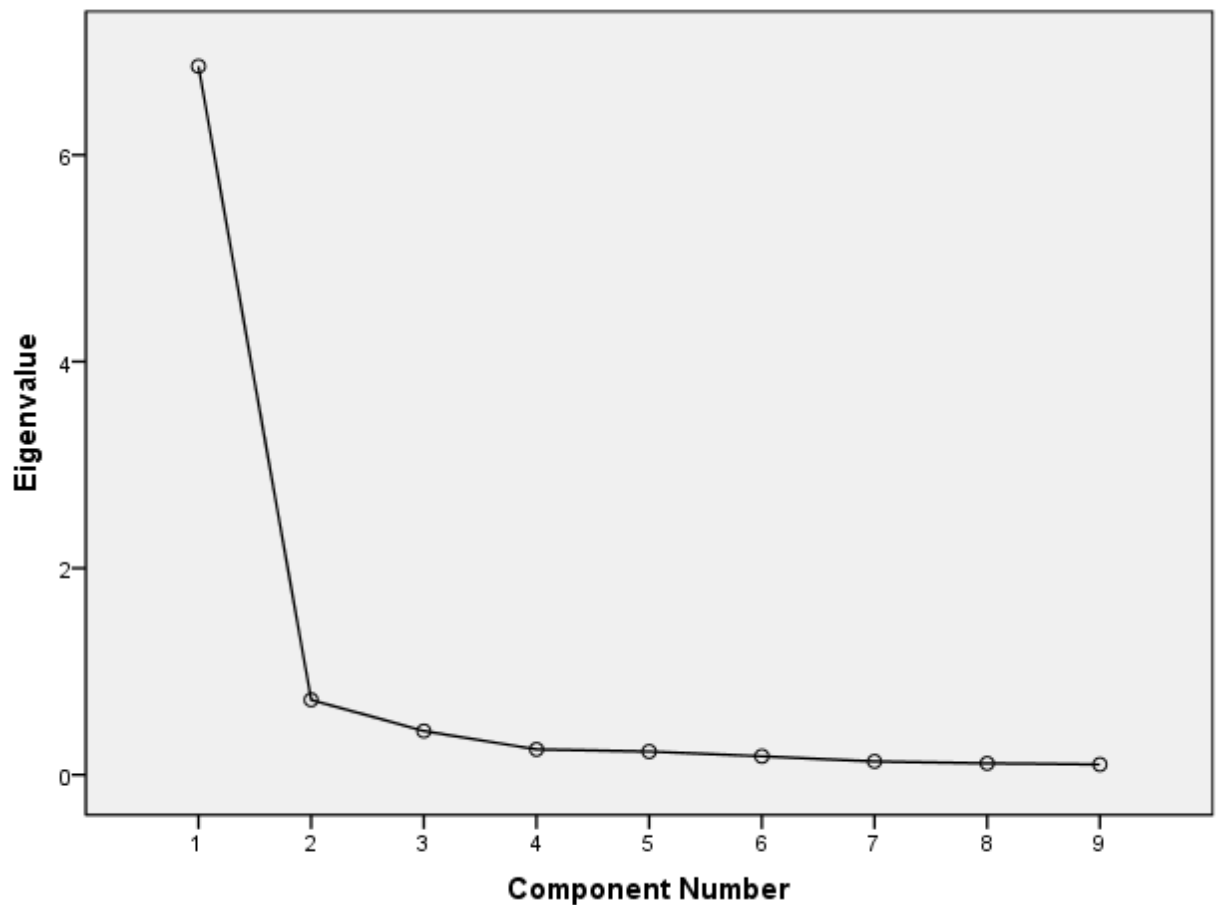
| KMO and Bartlett's Test                          |    |          |
|--|----|----------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. |    | .922     |
| Approx. Chi-Square                               |    | 1146.036 |
| Bartlett's Test of Sphericity                    | df | 36       |
| Sig.   |    | .000     |

**Total Variance Explained**

| Component | Initial Eigenvalues |               |              | Extraction Sums of Squared Loadings |               |              |
|-----------|---------------------|---------------|--------------|-------------------------------------|---------------|--------------|
|           | Total               | % of Variance | Cumulative % | Total                               | % of Variance | Cumulative % |
| 1         | 6.859               | 76.207        | 76.207       | 6.859                               | 76.207        | 76.207       |
| 2         | .725                | 8.058         | 84.266       |                                     |               |              |
| 3         | .424                | 4.711         | 88.976       |                                     |               |              |
| 4         | .246                | 2.737         | 91.713       |                                     |               |              |
| 5         | .225                | 2.505         | 94.217       |                                     |               |              |
| 6         | .179                | 1.992         | 96.210       |                                     |               |              |
| 7         | .130                | 1.439         | 97.649       |                                     |               |              |
| 8         | .111                | 1.238         | 98.887       |                                     |               |              |
| 9         | .100                | 1.113         | 100.000      |                                     |               |              |

Extraction Method: Principal Component Analysis.

**Scree Plot**



### Component Matrix

| No  | Survey Items   | Component |
|-----|--|-----------|
|     |  | 1         |
| RB1 | The overall adoption of Clarified ISAs and ISQC  | .838      |
| RB2 | The high level of audit documentation required by Clarified ISAs   | .850      |
| RB3 | The quality control system required by ISQC  | .892      |
| RB4 | Clarified ISAs requirement for the auditor to assess the risk critically   | .921      |
| RB5 | Clarified ISAs requirement for the auditor to exercise their professional skepticism in evaluating the accounting estimate | .874      |
| RB6 | Clarified ISAs requirement for auditor to evaluate the result and scope of external expert                                 | .884      |
| RB7 | Clarified ISAs requirement for auditor to focus on related party transaction   | .885      |
| RB8 | Clarified ISAs requirement for auditor to communicate the internal control deficiency to those charged in governance       | .857      |
| RB9 | Clarified ISA requirement for the auditor to using the top down approach in group auditing                                 | .853      |



## APPENDIX C

### Reliability Testing: Intellectual Resource Preparedness

#### Reliability Statistics

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|------------------|--|------------|
| .853             | .853   | 5          |

#### Summary Item Statistics

|                         | Mean | Minimum | Maximum | Range | Maximum / Minimum | Variance | N of Items |
|-------------------------|------|---------|---------|-------|-------------------|----------|------------|
| Inter-Item Correlations | .537 | .427    | .728    | .301  | 1.706             | .009     | 5          |

### Reliability Testing: Human Resource Preparedness

#### Reliability Statistics

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|------------------|--|------------|
| .906             | .909   | 8          |

#### Summary Item Statistics

|                         | Mean | Minimum | Maximum | Range | Maximum / Minimum | Variance | N of Items |
|-------------------------|------|---------|---------|-------|-------------------|----------|------------|
| Inter-Item Correlations | .556 | .439    | .860    | .421  | 1.959             | .007     | 8          |

### Reliability Testing: Financial Resource Preparedness

**Reliability Statistics**

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|------------------|--|------------|
| .816             | .820   | 2          |

**Summary Item Statistics**

|                         | Mean | Minimum | Maximum | Range | Maximum / Minimum | Variance | N of Items |
|-------------------------|------|---------|---------|-------|-------------------|----------|------------|
| Inter-Item Correlations | .695 | .695    | .695    | .000  | 1.000             | .000     | 2          |

### Reliability Testing: Organization Resource Preparedness

**Reliability Statistics**

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|------------------|--|------------|
| .885             | .897   | 6          |

**Summary Item Statistics**

|                         | Mean | Minimum | Maximum | Range | Maximum / Minimum | Variance | N of Items |
|-------------------------|------|---------|---------|-------|-------------------|----------|------------|
| Inter-Item Correlations | .593 | .323    | .814    | .490  | 2.517             | .022     | 6          |

### Reliability Testing: Adoption of Clarified ISAs and ISQC

**Reliability Statistics**

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|------------------|--|------------|
| .952             | .960   | 37         |

**Summary Item Statistics**

|                         | Mean | Minimum | Maximum | Range | Maximum / Minimum | Variance | N of Items |
|-------------------------|------|---------|---------|-------|-------------------|----------|------------|
| Inter-Item Correlations | .391 | -.033   | .805    | .838  | -24.348           | .020     | 37         |

### Reliability Testing: Timeliness of Audit Report

**Reliability Statistics**

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|------------------|--|------------|
| .960             | .961   | 9          |

**Summary Item Statistics**

|                         | Mean | Minimum | Maximum | Range | Maximum / Minimum | Variance | N of Items |
|-------------------------|------|---------|---------|-------|-------------------|----------|------------|
| Inter-Item Correlations | .732 | .584    | .869    | .285  | 1.488             | .005     | 9          |

## APPENDIX D

### Descriptive Analysis for the research variables

| No  | Survey Items   | Mean      | Std. Deviation |
|-----|--|-----------|----------------|
|     |  | Statistic | Statistic      |
|     | <b><u>Intellectual Resource Preparedness</u></b>   |           |                |
| A3  | The firm has capable IT staff to take care of technical aspect of the firm IT system   | 3.23      | 1.259          |
| A4  | The firm has in-house proprietary audit software to perform audit work.  | 2.89      | 1.431          |
| A5  | The firm used the computer assisted audit technique (CAATs) in performing the audit work.  | 2.61      | 1.368          |
| A6  | Online training is provided on Clarified ISA and ISQC to the audit staff   | 2.52      | 1.273          |
| A22 | The firm is part of a highly structured network where all the member firms are required to adopt the standardized audit methodology          | 2.72      | 1.315          |
|     | <b><u>Human Resource Preparedness</u></b>  |           |                |
| A11 | Firm provides auditing training on clarified ISA and ISQC regularly to the staff.  | 3.55      | 1.102          |
| A12 | Audit staffs are required to achieve the Continuing Professional Education although they are not the member of professional accounting body. | 3.47      | 1.231          |
| A13 | The firm has appropriate performance appraisal system to motivate the audit staff to comply with clarified ISA and ISQC                      | 3.36      | 1.036          |
| A14 | The firm has appropriate recruitment procedure in recruiting quality audit staff   | 3.64      | .919           |
| A15 | The remuneration policy of the firm is sufficient to attract, retain and motivate the audit staff to comply with clarified ISAs and ISQC     | 3.41      | .981           |
| A16 | The auditors have appropriate knowledge and skill to perform the audit work in compliance with Clarified ISAs and ISQC                       | 3.78      | .866           |
| A17 | The auditors have commitment and good attitude in performing the audit for the client by complying with the Clarified ISAs and ISQC          | 3.82      | .923           |
| A20 | The firm has allocated sufficient budget for training on Clarified ISAs and ISQC   | 3.08      | 1.019          |
|     | <b><u>Financial Resource Preparedness</u></b>  |           |                |
| A18 | The firm charges audit fees at higher than market rate to the client   | 2.43      | 1.010          |
| A19 | The firm earns higher than market norm profit for the past 5 years   | 2.29      | .896           |
|     | <b><u>Organization Resource Preparedness</u></b>   |           |                |
| A2  | The firm has their own server for internal database management system which comprises of the information of Clarified ISA and ISQC.          | 3.25      | 1.310          |
| A24 | The firm regards internal culture as critically important in striving excellence in relation to audit quality                                | 3.63      | .985           |
| A25 | The firm has structured audit programme incorporating the updated Clarified ISAs and ISQC.   | 3.72      | .987           |
| A26 | The firm has high quality technical support team on Clarified ISAs and ISQC  | 3.19      | 1.115          |
| A27 | The firm has audit quality control system required and complied with ISQC.   | 3.50      | .921           |
| A28 | The firm has incorporated the clarified ISAs and ISQC in their audit methodology and firm policy.  | 3.60      | .887           |

| No  | Survey Items  | Mean      | Std. Deviation |
|-----|---|-----------|----------------|
|     |   | Statistic | Statistic      |
|     | <b><u>Adoption of Clarified ISAs and ISQC</u></b>   |           |                |
| C1  | ISA 200, Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing | 2.51      | .552           |
| C2  | ISA 210, Agreeing the Terms of Audit Engagements  | 2.67      | .491           |
| C3  | ISA 220, Quality Control for an Audit of Financial Statements   | 2.51      | .552           |
| C4  | ISA 230, Audit Documentation  | 2.58      | .577           |
| C5  | ISA 240, The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements   | 2.23      | .663           |
| C6  | ISA 250, Consideration of Laws and Regulations in an Audit of Financial Statements  | 2.50      | .552           |
| C7  | ISA 260, Communication with Those Charged with Governance   | 2.20      | .703           |
| C8  | ISA 265, Communicating Deficiencies in Internal Control to Those Charged with Governance and Management                                   | 2.13      | .744           |
| C9  | ISA 300, Planning an Audit of Financial Statements  | 2.49      | .598           |
| C10 | ISA 315, Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment                | 2.40      | .589           |
| C11 | ISA 320, Materiality in Planning and Performing an Audit  | 2.54      | .611           |
| C12 | ISA 330, The Auditor's Responses to Assessed Risks  | 2.46      | .551           |
| C13 | ISA 402, Audit Considerations Relating to an Entity Using a Service Organization  | 1.89      | 1.033          |
| C14 | ISA 450, Evaluation of Misstatements Identified during the Audit  | 2.50      | .583           |
| C15 | ISA 500, Audit Evidence   | 2.46      | .787           |
| C16 | ISA 501, Audit Evidence-Specific Considerations for Selected Items  | 2.32      | .744           |
| C17 | ISA 505, External Confirmations   | 2.58      | .607           |
| C18 | ISA 510, Initial Audit Engagements-Opening Balances   | 2.50      | .612           |
| C19 | ISA 520, Analytical Procedures  | 2.55      | .534           |
| C20 | ISA 530, Audit Sampling   | 2.54      | .582           |
| C21 | ISA 540, Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures                                | 2.30      | .678           |
| C22 | ISA 550, Related Parties  | 2.39      | .588           |
| C23 | ISA 560, Subsequent Events  | 2.50      | .552           |
| C24 | ISA 570, Going Concern  | 2.52      | .552           |
| C25 | ISA 580, Written Representations  | 2.62      | .523           |
| C26 | ISA 600, Special Considerations-Audits of Group Financial Statements (Including the Work of Component Auditors)                           | 2.16      | .854           |
| C27 | ISA 610, Using the Work of Internal Auditors  | 1.55      | 1.002          |
| C28 | ISA 620, Using the Work of an Auditor's Expert  | 1.62      | .996           |
| C29 | ISA 700, Forming an Opinion and Reporting on Financial Statements   | 2.59      | .544           |
| C30 | ISA 705, Modifications to the Opinion in the Independent Auditor's Report   | 2.35      | .663           |
| C31 | ISA 706, Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report                                    | 2.47      | .597           |
| C32 | ISA 710, Comparative Information-Corresponding Figures and Comparative Financial Statements   | 2.40      | .589           |
| C33 | ISA 720, The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements                | 2.30      | .607           |
| C34 | ISA 800, Special Considerations-Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks                     | 1.56      | 1.061          |
| C35 | ISA 805, Special Considerations-Audits of Single Financial Statements and   | 1.62      | 1.039          |

| No  | Survey Items   | Mean      | Std. Deviation |
|-----|--|-----------|----------------|
|     |  | Statistic | Statistic      |
|     | Specific Elements, Accounts or Items of a Financial Statement  |           |                |
| C36 | ISA 810, Engagements to Report on Summary Financial Statements   | 1.63      | 1.079          |
| C37 | International Standard on Quality Control (ISQC) 1, Quality Controls for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements | 2.35      | .714           |
|     | <b><u>Timeliness of Audit Report</u></b>   |           |                |
| RB1 | The overall adoption of Clarified ISAs and ISQC  | 2.2696    | .97622         |
| RB2 | The high level of audit documentation required by Clarified ISAs   | 2.1652    | .92651         |
| RB3 | The quality control system required by ISQC  | 2.2609    | .95593         |
| RB4 | Clarified ISAs requirement for the auditor to assess the risk critically   | 2.2522    | .90654         |
| RB5 | Clarified ISAs requirement for the auditor to exercise their professional skepticism in evaluating the accounting estimate   | 2.2696    | .88180         |
| RB6 | Clarified ISAs requirement for auditor to evaluate the result and scope of external expert   | 2.4435    | .99288         |
| RB7 | Clarified ISAs requirement for auditor to focus on related party transaction   | 2.3913    | .91475         |
| RB8 | Clarified ISAs requirement for auditor to communicate the internal control deficiency to those charged in governance   | 2.4957    | .90199         |
| RB9 | Clarified ISA requirement for the auditor to using the top down approach in group auditing   | 2.5304    | .99403         |

Descriptive Analysis based on Ownership Structure for the Resource  
Preparedness of the firm

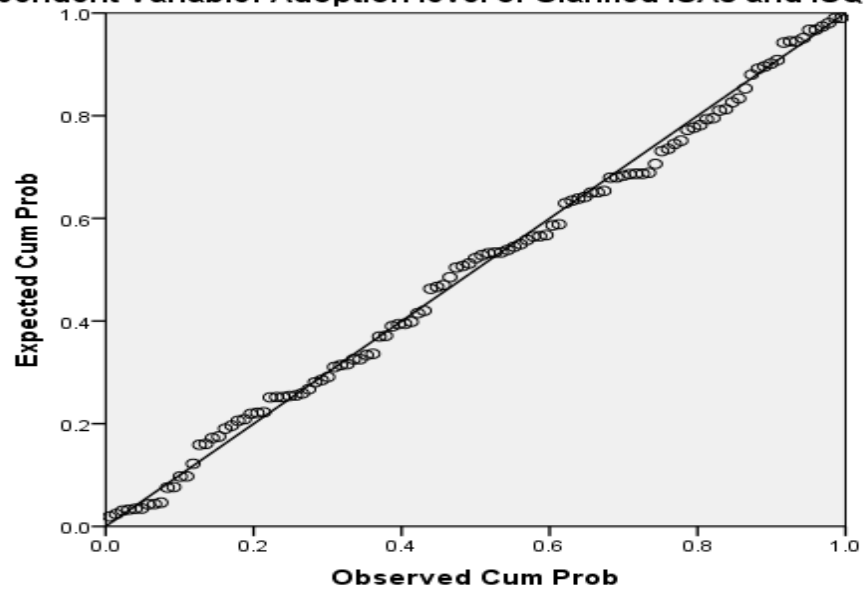
| Resource                           |                                    | Mean   | Std. Deviation |
|------------------------------------|------------------------------------|--------|----------------|
| Intellectual Resource Preparedness | Sole Proprietorship                | 2.6098 | 1.03372        |
|                                    | Partnership( 2-5 partners)         | 2.8340 | .99767         |
|                                    | Partnership(6-9 partners)          | 3.6667 | .41633         |
|                                    | Partnership( more than 9 partners) | 4.5000 | .47610         |
|                                    | Total                              | 2.7948 | 1.05547        |
| Human Resource Preparedness        | Sole Proprietorship                | 3.3176 | .69469         |
|                                    | Partnership( 2-5 partners)         | 3.6888 | .83278         |
|                                    | Partnership(6-9 partners)          | 3.3333 | .64145         |
|                                    | Partnership( more than 9 partners) | 4.5625 | .54486         |
|                                    | Total                              | 3.5130 | .78838         |

| Resource                              |                                       | Mean   | Std.<br>Deviation |
|---------------------------------------|---------------------------------------|--------|-------------------|
|                                       |                                       |        |                   |
| Financial Resource<br>Preparedness    | Sole Proprietorship                   | 2.2459 | .81457            |
|                                       | Partnership( 2-5 partners)            | 2.4894 | .92952            |
|                                       | Partnership(6-9 partners)             | 1.6667 | .57735            |
|                                       | Partnership( more than 9<br>partners) | 3.1250 | .85391            |
|                                       | Total                                 | 2.3609 | .87747            |
| Organization Resource<br>Preparedness | Sole Proprietorship                   | 3.1913 | .71740            |
|                                       | Partnership( 2-5 partners)            | 3.7340 | .83018            |
|                                       | Partnership(6-9 partners)             | 3.8889 | .75154            |
|                                       | Partnership( more than 9<br>partners) | 4.7083 | .39382            |
|                                       | Total                                 | 3.4841 | .83157            |

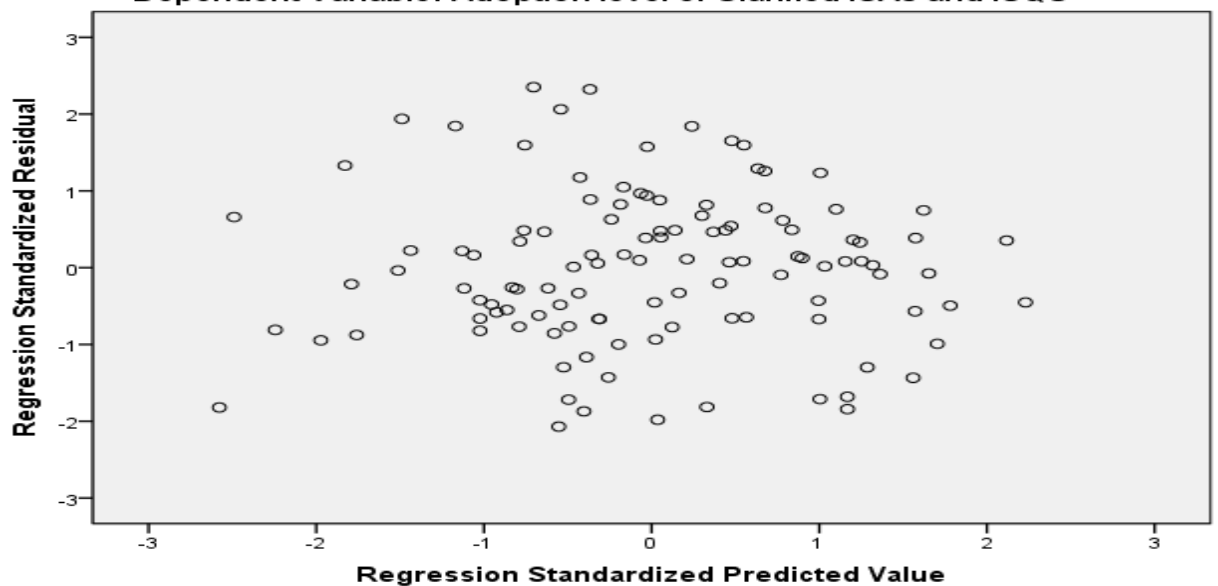
## APPENDIX E

Regression Assumption Testing for Research variable  
(Resource Preparedness and Adoption of Clarified ISAs and ISQC)

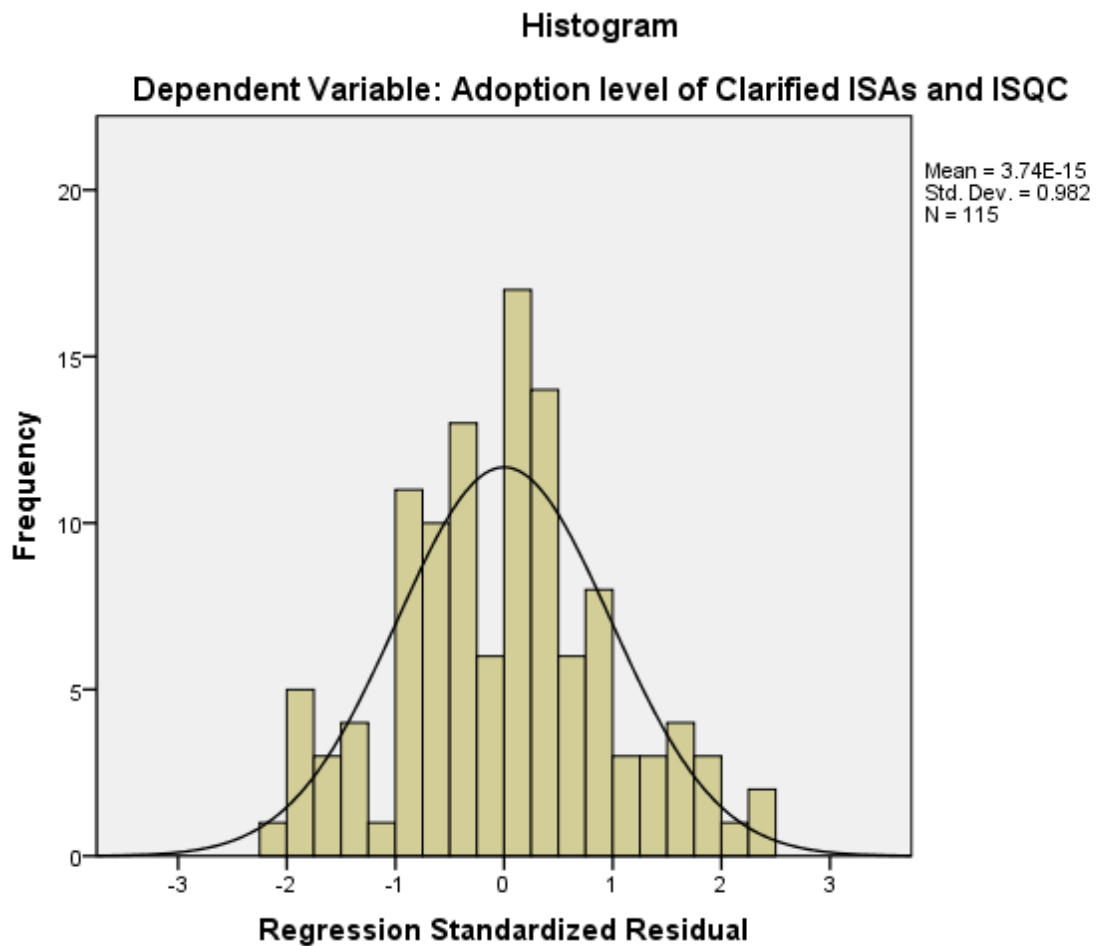
**Normal P-P Plot of Regression Standardized Residual**  
**Dependent Variable: Adoption level of Clarified ISAs and ISQC**



**Scatterplot**  
**Dependent Variable: Adoption level of Clarified ISAs and ISQC**







**Model Summary<sup>b</sup>**

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1     | .628 <sup>a</sup> | .394     | .372              | .33919                     |

a. Predictors: (Constant), Organization Resource Preparedness, Financial Resource Preparedness, Intellectual Resource Preparedness, Human Resource Preparedness

b. Dependent Variable: Adoption level of Clarified ISAs and ISQC

ANOVA<sup>a</sup>

| Model |            | Sum of Squares | df  | Mean Square | F      | Sig.              |
|-------|------------|----------------|-----|-------------|--------|-------------------|
| 1     | Regression | 8.239          | 4   | 2.060       | 17.903 | .000 <sup>b</sup> |
|       | Residual   | 12.656         | 110 | .115        |        |                   |
|       | Total      | 20.895         | 114 |             |        |                   |

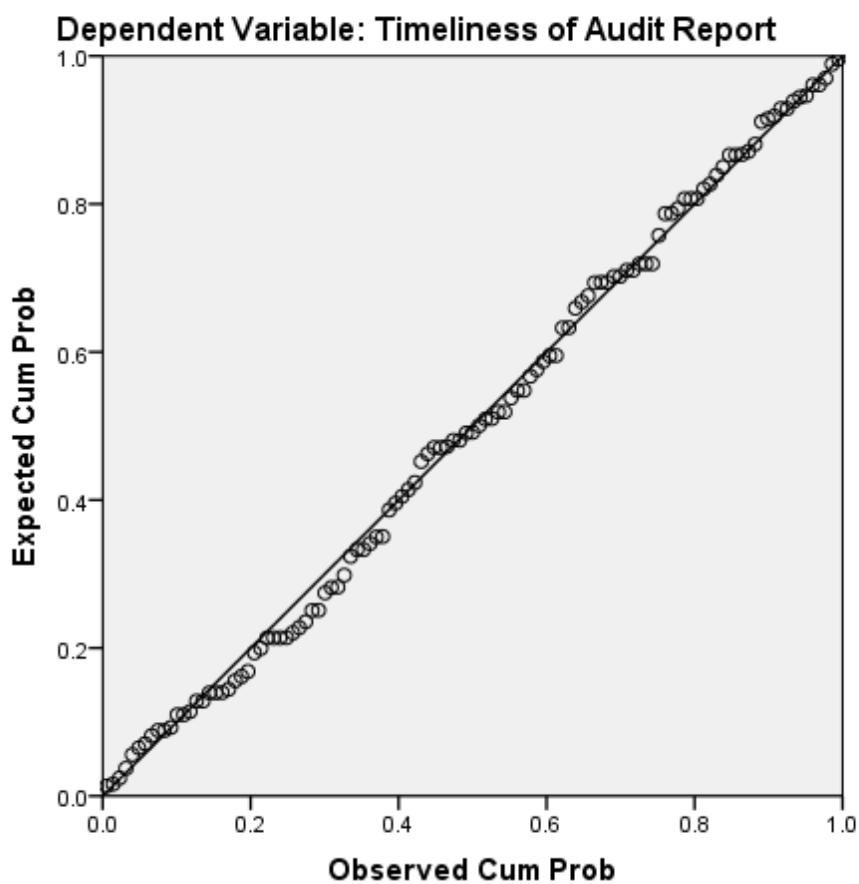
a. Dependent Variable: Adoption level of Clarified ISAs and ISQC

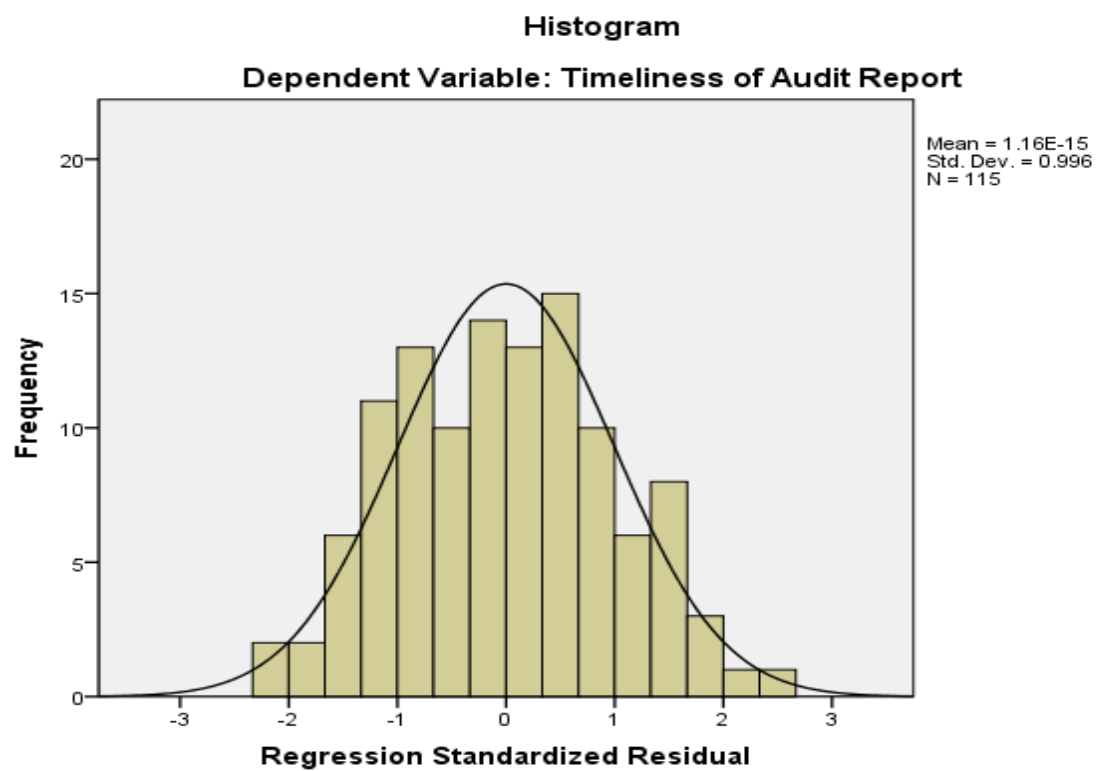
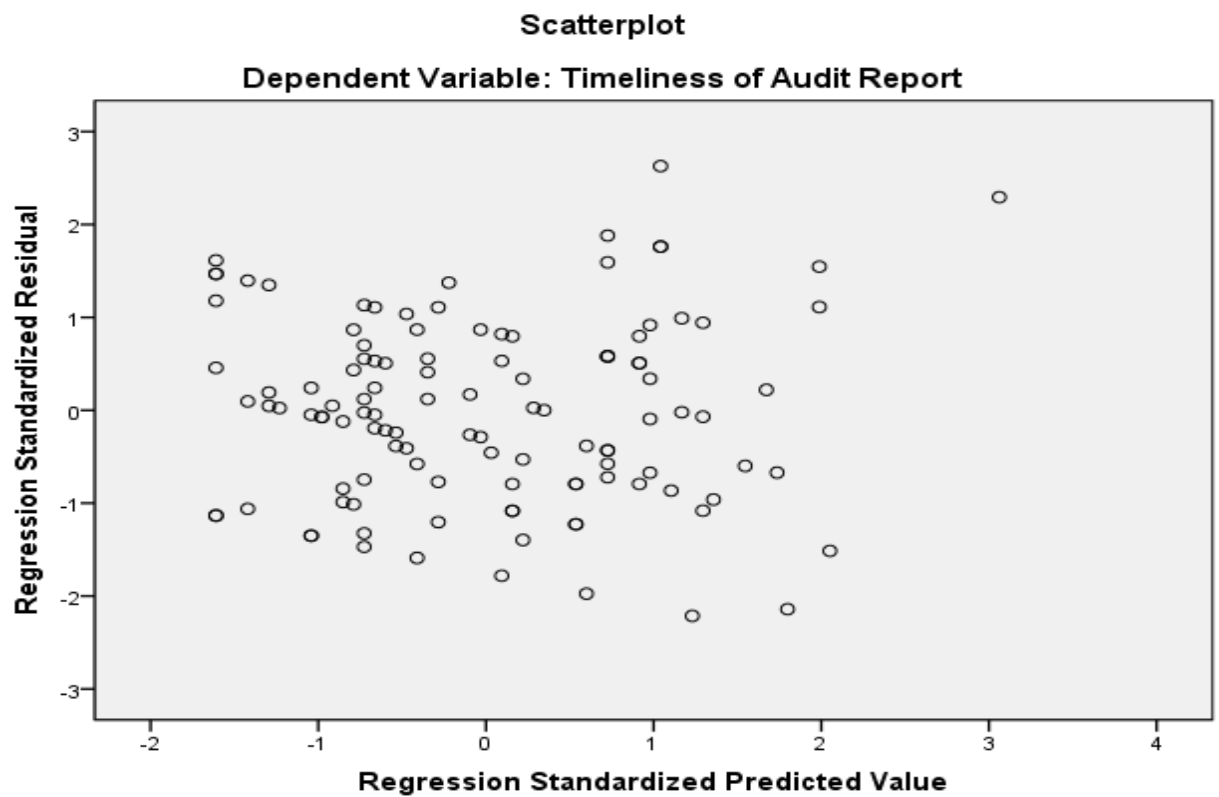
b. Predictors: (Constant), Organization Resource Preparedness, Financial Resource Preparedness, Intellectual Resource Preparedness, Human Resource Preparedness

### Regression Assumption Testing for Research variable

(Adoption of Clarified ISAs and ISQC and Timeliness of Audit Report)

#### Normal P-P Plot of Regression Standardized Residual





**Model Summary<sup>b</sup>**

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1     | .357 <sup>a</sup> | .127     | .120              | .76862                     |

a. Predictors: (Constant), Adoption level of Clarified ISAs and ISQC

b. Dependent Variable: Timeliness of Audit Report

**Residuals Statistics<sup>a</sup>**

|                 | Minimum | Maximum | Mean | Std. Deviation |
|-----------------|---------|---------|------|----------------|
| Mahal. Distance | .001    | 9.373   | .991 | 1.233          |

a. Dependent Variable: Timeliness of Audit Report

**ANOVA<sup>a</sup>**

| Model        | Sum of Squares | df  | Mean Square | F      | Sig.              |
|--------------|----------------|-----|-------------|--------|-------------------|
| 1 Regression | 9.740          | 1   | 9.740       | 16.486 | .000 <sup>b</sup> |
| Residual     | 66.758         | 113 | .591        |        |                   |
| Total        | 76.497         | 114 |             |        |                   |

a. Dependent Variable: Timeliness of Audit Report

b. Predictors: (Constant), Adoption level of Clarified ISAs and ISQC

### Mahalanobis Distance Test for Multivariate Outlier

**Coefficients<sup>a</sup>**

| Model                                       | Standardized Coefficients | Sig. | Collinearity Statistics |       |
|---|---------------------------|------|-------------------------|-------|
|   | Beta                      |      | Tolerance               | VIF   |
| 1 Adoption level of Clarified ISAs and ISQC | -.357                     | .000 | 1.000                   | 1.000 |

a. Dependent Variable: Timeliness of Audit Report

## APPENDIX F

Table: Literature Sources of measurement Instrument adapted to this study

| Variable<br>(Dimension)   | Supporting literature   | Measurement items in<br>Questionnaires( Appendix G)<br>used in this study  |
|---|---|--|
| <b>Intellectual resource</b><br>(Technology/ IT Infrastructure) | <ul style="list-style-type: none"> <li>• The firm used Microsoft office as their main source to perform the audit task(Phua et al. 2011)</li> <li>• The internet is mainly used by the staff to research resource related to their work(Phua et al. 2011)</li> <li>• Staff use email to communication with client and some file use email(Phua et al. 2011)</li> <li>• A large variety of in-house resources can be accessed by staff through the Intranet.(Phua et al. 2011)</li> <li>• The social networking with the different external entities stakeholder moderate the performance of the family business entities(Moses,2011)</li> </ul> | <ul style="list-style-type: none"> <li>• The staff used IT tool in performing audit work such as internet, email, intranet, social networking, working papers groupware and instant messenger</li> </ul> |

| Variable<br>(Dimension)                            | Supporting literature  | Measurement items in<br>Questionnaires( Appendix G)<br>used in this study  |
|--|--|--|
|  | <ul style="list-style-type: none"> <li>All the offices have their own servers for database management, networking within the firm and sharing of data among the work groups(Phua et al. 2011)</li> </ul>   | <ul style="list-style-type: none"> <li>The firm have their own server for internal database management system which comprises of information of Clarified ISAs and ISQC</li> </ul> |
|  | <ul style="list-style-type: none"> <li>Every office has at least one internal full-time IT employee with computer-troubleshooting capabilities to take care of the technical aspects of computer hardware and software. (Phua et al. 2011)</li> </ul>                | <ul style="list-style-type: none"> <li>The firm have capable IT staff to take care of technical aspect of the firm IT system</li> </ul>  |
| <b>Intellectual resource</b><br>(Audit Technology) | <ul style="list-style-type: none"> <li>The firm use different sets of audit software which are used depending on the size of clients.(Phua et.al. 2011)</li> <li>Increasing technologies will enhance the generalized audit software usage (Lovota. 2010)</li> </ul> | <ul style="list-style-type: none"> <li>The firm have in-house proprietary audit software to perform audit task</li> </ul>  |
|  | <ul style="list-style-type: none"> <li>Audit firms with PLC and MNC used commercially</li> </ul>   | <ul style="list-style-type: none"> <li>The firm used the computer assisted audit</li> </ul>  |

| Variable<br>(Dimension)  | Supporting literature   | Measurement items in<br>Questionnaires( Appendix G)<br>used in this study   |
|--|---|---|
|  | <p>produced computer-assisted audit techniques (CAATs) in audit work. (Phua et al. 2011)</p> <ul style="list-style-type: none"> <li>• The low structure firm tend to use CAATS more often(Lovota,1990)</li> </ul>   | <p>technique (CAATs) in performing the audit work.</p>  |
| <b>Intellectual resource</b><br>(IT training)                          | <ul style="list-style-type: none"> <li>• Online-training is widely used in the audit firm with a wide range of training materials available on the web.(Phua et al. 2011)</li> </ul>  | <ul style="list-style-type: none"> <li>• Online training is provided on Clarified ISAs and ISQC to the audit staff</li> </ul> |
| <b>Human Resource</b><br>(Auditor's industry specialization knowledge) | <ul style="list-style-type: none"> <li>• Industry specialist auditor are able to perform audit task sooner than the non-specialist (Ahsan, 2011)</li> <li>• Industry specialist auditor spread the industry training cost over more clients and enjoy economics of scales (Mayhew &amp; Wilkins, 2003)</li> </ul> | <ul style="list-style-type: none"> <li>• The firm has industry specialization training programme.</li> </ul>                  |
|  | <ul style="list-style-type: none"> <li>• KPMG restructuring along industry service lines is the pioneer of industry-based audit firm market strategy</li> </ul>   | <ul style="list-style-type: none"> <li>• The firm has subdivided the audit team based on the industry.</li> </ul>             |

| Variable<br>(Dimension)                                      | Supporting literature   | Measurement items in<br>Questionnaires( Appendix G)<br>used in this study  |
|--|---|--|
|  | <p>formulation.(Ahsan, 2011)</p> <ul style="list-style-type: none"> <li>• Big 6 claimed that there have reorganized along industry line to serve better the client ( Berton, 1995)</li> </ul>   |  |
| <b>Human Resource</b><br>(Audit firm tenure)                 | <ul style="list-style-type: none"> <li>• Audit firm tenure is positively related to the audit quality and financial reporting quality (Berton, 1995)</li> </ul>   | <ul style="list-style-type: none"> <li>• The firm has built up long term relationship with client</li> </ul>   |
| <b>Human Resource</b><br>(Continuing professional education) | <ul style="list-style-type: none"> <li>• The firms require all staff to attain a specified number of hours of continuing professional education (CPE) annually.(Phua et. al. 2011)</li> </ul>   | <ul style="list-style-type: none"> <li>• Majority of the auditors must be member of professional accounting body</li> </ul>  |
|  | <ul style="list-style-type: none"> <li>• These CPE hours are also recognized by national and international professional bodies for Continuing Professional(CPE)(Phua et al. 2011)</li> <li>• Staff in the audit firm are being regularly trained and</li> </ul> | <ul style="list-style-type: none"> <li>• All auditors are required to achieve the Continuing Professional Education although they are not member of professional accounting body.</li> </ul> |



| Variable<br>(Dimension)  | Supporting literature   | Measurement items in<br>Questionnaires( Appendix G)<br>used in this study   |
|--|---|---|
|  | equipped with the latest updated of the accounting standard.(Phua et al. , 2011)  |   |
|  | <ul style="list-style-type: none"> <li>Many auditors received education about the standards of auditing, due to implementation of ISAs (Eglund &amp; Gidlund, 2012)</li> </ul>  | <ul style="list-style-type: none"> <li>Firm provides auditing training on clarified ISA and ISQC regularly to the staff.</li> </ul>                                   |
| <b>Human Resource</b><br>(Human resource policy and procedure) | <ul style="list-style-type: none"> <li>The firm treated the CPE as part of the performance appraisal and promotion criteria.(Phua et al. 2011)</li> <li>The appraisal system of medical professional contained the summative aspect(assessment) which confirmed the Doctor have meet the standard as perexpected(Gerry &amp; Ewen, 2007)</li> </ul> | <ul style="list-style-type: none"> <li>The firm have appropriate performance appraisal system to motivate staff to comply with the Clarified ISAs and ISQC</li> </ul> |
|  | <ul style="list-style-type: none"> <li>Some firm required the staff to pass 7 e-learning</li> </ul>   | <ul style="list-style-type: none"> <li>The firm have appropriate recruitment</li> </ul>   |

| Variable<br>(Dimension)                                 | Supporting literature   | Measurement items in<br>Questionnaires( Appendix G)<br>used in this study   |
|---|---|---|
|   | <p>tests to be promoted or to be confirmed as permanent staff.(Phua et al, 2011)</p> <ul style="list-style-type: none"> <li>• Candidate should be evaluated based on the predetermined set criteria that tied the candidate to the firm core value(Brundage &amp; Koziel, 2010)</li> </ul>                          | <p>procedure in recruiting quality audit staff</p>  |
|   | <ul style="list-style-type: none"> <li>• Hospital are paying above-market compensation to fill certain scarce position (Little &amp; Kinard,1999)</li> <li>• Education and On the Job training is the important human capital feature that determine the remuneration of the individual (Bernard, 2012).</li> </ul> | <ul style="list-style-type: none"> <li>• The remuneration policy of the firm are sufficient to attract, retain and motivate the audit staff to comply with Clarified ISAs and ISQC</li> </ul> |
| <b>Human Resource</b> (Knowledge and skill of auditors) | <ul style="list-style-type: none"> <li>• The detection component of the audit quality is derived from knowledge and skill of the auditors (Kohlers, 2009)</li> </ul>  | <ul style="list-style-type: none"> <li>• The auditor has appropriate knowledge and skill to perform audit work in compliance with the Clarified ISAs and</li> </ul>                           |

| <b>Variable<br/>(Dimension)</b>  | <b>Supporting literature</b>   | <b>Measurement items in<br/>Questionnaires( Appendix G)<br/>used in this study</b>   |
|--|--|--|
|  |  | ISQC.  |
| <b>Human<br/>Resource</b><br>(Commitment<br>and attitude of<br>auditors) | <ul style="list-style-type: none"> <li>The detection component of the audit quality is also derived from the mental attitude , personal capability and commitment of the auditors to identify the material misstatement (Kohlers, 2009)</li> </ul> | <ul style="list-style-type: none"> <li>The auditors have commitment and good attitude in performing the audit for the client by complying with clarified ISAs and ISQC.</li> </ul> |
| <b>Financial<br/>resource</b> (Audit<br>fee/ Revenue)                    | <ul style="list-style-type: none"> <li>Audit fee charged by the small firm are much more lower than the audit firm charged by medium firm ( Phua et al. 2011)</li> </ul>   | <ul style="list-style-type: none"> <li>The firm charges audit fee at higher than market rate to the client</li> </ul>  |
| <b>Financial<br/>resource</b><br>(Profitability)                         | <ul style="list-style-type: none"> <li>There is positive relationship between the profitability of the companies and comply with the IFRS disclosure requirement. (Valahi &amp; Iatridis, 2007 as cited in Rodiel &amp; Glenda, 2011 )</li> </ul>  | <ul style="list-style-type: none"> <li>The firm have earn higher than market norm profit for the past 5 years</li> </ul>   |
| <b>Financial<br/>resource</b> (Budget                                    | <ul style="list-style-type: none"> <li>The staff are being provided with different type</li> </ul>   | <ul style="list-style-type: none"> <li>The firm have allocated sufficient budget for</li> </ul>  |

| Variable<br>(Dimension)                        | Supporting literature  | Measurement items in<br>Questionnaires( Appendix G)<br>used in this study   |
|--|--|---|
| )  | <p>of formal and informal training such as the accounting software and audit software training( Phua et.al. 2011)</p> <ul style="list-style-type: none"> <li>• Many auditors received education about the standards of auditing, due to implementation of ISAs (Eglund &amp; Gidlund,2012)</li> </ul>  | <p>training on Clarified ISAs and ISQC</p>  |
| <b>Organizational Resource</b><br>(Networking) | <ul style="list-style-type: none"> <li>• The audit firm have international affiliates to widen the networking with other audit firm worldwide (Phua et al. 2011)</li> <li>• The firm will be recognised to adopt the ISAs when the firm joined the large international audit network. ( Mennicken, 2008)</li> <li>• Small auditors should obtain better technical support is for them to cooperate through professional institutions on the international</li> </ul> | <ul style="list-style-type: none"> <li>• The firm have established international affiliates to widen the networking with other audit firms worldwide</li> </ul> |

| Variable<br>(Dimension) | Supporting literature  | Measurement items in<br>Questionnaires( Appendix G)<br>used in this study  |
|-------------------------|--|--|
|                         | level(Metka,2011)  |  |
|                         | <ul style="list-style-type: none"> <li>• The highly structured firm provide extensive guidance on the all stage of audit. Conversely, the unstructured firm rely on auditor judgement and do not provide the design of the audit process. ( Lovata,1990)</li> <li>• The firm have highly structured network where all member firm are required to apply standard audit methodology developed for the group. ( Phua, 2011)</li> </ul> | <ul style="list-style-type: none"> <li>• The firm is part of highly structure network where all the member firm required adopting the standardized audit methodology.</li> </ul> |
|                         | <ul style="list-style-type: none"> <li>• Some firm focussed on local networking before joining international affiliates and practice entities. ( Phua, 2011)</li> <li>• The firm attempt to widen their network by forming the established link with</li> </ul>  | <ul style="list-style-type: none"> <li>• The firm formed local network with other audit firms and other service provider</li> </ul>  |

| Variable<br>(Dimension)                             | Supporting literature  | Measurement items in<br>Questionnaires( Appendix G)<br>used in this study  |
|---|--|--|
|   | other service provider such as management consultant, secretarial service firm and etc. ( Phua, 2011)  |  |
| <b>Organizational Resource</b><br>(Culture)         | <ul style="list-style-type: none"> <li>One of the factor determining the audit quality of the firm is the culture within the firm (Financial Reporting Council, 2010)</li> </ul>   | <ul style="list-style-type: none"> <li>The firm regards internal culture as critically important in striving excellence in relation to audit quality</li> </ul>  |
|   | <ul style="list-style-type: none"> <li>In Slovenian, lack of ISA-compliant audit programme caused the impediment to ISAs adoption.(Metka,2011)</li> </ul>  | <ul style="list-style-type: none"> <li>The firm have structured audit programme incorporating the updated Clarified ISAs and ISQC</li> </ul>   |
| <b>Organizational Resource</b><br>(Quality Control) | <ul style="list-style-type: none"> <li>The firm shall establish and maintain a system of quality control that includes policies and procedures that address each of the following elements:               <ol style="list-style-type: none"> <li>Leadership responsibilities for quality within the firm.</li> </ol> </li> </ul> | <ul style="list-style-type: none"> <li>The firm have high quality technical support team on the Clarified ISAs and ISQC</li> <li>The firm have quality control system required and complied with ISQC</li> </ul> |

| Variable<br>(Dimension)                               | Supporting literature  | Measurement items in<br>Questionnaires( Appendix G)<br>used in this study   |
|---|--|---|
|   | <ul style="list-style-type: none"> <li>b. Relevant ethical requirements.</li> <li>c. Acceptance and continuance of client relationships and specific engagements.</li> <li>d. Human resources.</li> <li>e. Engagement performance.</li> <li>f. Monitoring.</li> </ul> <p>( IAASB, 2009, ISQC1)</p> |   |
| <b>Organizational Resource</b> ( Audit Methodologies) | <ul style="list-style-type: none"> <li>• All the audit firm had updated and changed their audit methodology, the differences are to which extent(Eglund &amp; Gidlund, 2012)</li> </ul>  | <ul style="list-style-type: none"> <li>• The firm have incorporated the Clarified ISAs and ISQC in their audit methodology and firm policy</li> </ul> |

## APPENDIX G

### Questionnaire



Dear Sir / Madam,

Over the past few years, much attention has been paid to the adoption of the Clarified Standard of Auditing (Clarified ISAs) and International Standard of Quality Control (ISQC)

This study is set out to identify the responses and resource preparedness of Small and Medium Practice (SMP) for the Clarified Standard of Auditing (Clarified ISAs) and International Standard of Quality Control (ISQC). This survey seeks to look at the relationship between the preparedness in term of resource, level of adoption of Clarified ISA and ISQC and the timeliness of audit report issued by the SMP. These questionnaires are sent to SMP in Malaysia and we feel that your firm's response is extremely important in order for us to get an overall state of practice. For the research to be successful, help from the partners, directors or managers in your firm is required. Hopefully the research output can assist to enhance the development of SMP. Therefore we really need your co-operation.

Please kindly answer ALL questions. The survey will take approximately 10-20 minutes. Once completed, please return the completed questionnaire by using the stamped, self-addressed envelope that is provided in this package.

All information will be treated with strict confidential as it shall only be used for the purpose of academic research and your response of the questionnaire will only be analyzed in aggregate forms. Your organization will have no way of knowing how you have responded.



Your kind participation in this survey is highly valued and appreciated.

Should you have any enquiries regarding this questionnaire, please do not hesitate to contact us.

Thanking you in advance for your cooperation.

Yours faithfully,  
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**ADOPTION OF CLARIFIED INTERNATIONAL  
STANDARD OF AUDITING (ISAs) AND  
CLARIFIED INTERNATIONAL STANDARD OF  
QUALITY CONTROL (ISQC) IN SMALL AND  
MEDIUM PRACTICE( SMP) IN MALAYSIA**

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University of Malaya  
50603 Kuala Lumpur**

**ANG SOON YONG**

**Faculty of Accountancy and  
Management  
University Tunku Abdul Rahman**

**Confidentiality**

**The views expressed in the completed questionnaire will be  
treated in the strictest confidence. Any information**

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**Section A-: Resources and Practice**

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For each statement, tick (√) on the appropriate box using the scale from number 1 to 5 with 1 being “Strongly Disagree” and 5 being “Strongly Agree”.

| No | Description   | 1 | 2 | 3 | 4 | 5 |
|----|---|---|---|---|---|---|
| 1  | The staff used IT tool in performing audit work such as internet, email, working papers groupware, personal data assistant, social networking, and instant messenger. |   |   |   |   |   |
| 2  | The firm has their own server for internal database management system which comprises of the information of Clarified ISA and ISQC.                                   |   |   |   |   |   |
| 3  | The firm has capable IT staff to take care of technical aspect of the firm IT system  |   |   |   |   |   |
| 4  | The firm has in-house proprietary audit software to perform audit work.   |   |   |   |   |   |
| 5  | The firm used the computer assisted audit technique (CAATs) in performing the audit work.   |   |   |   |   |   |
| 6  | Online training is provided on Clarified ISA and ISQC to the audit staff  |   |   |   |   |   |
| 7  | The firm has industry specialization training programme   |   |   |   |   |   |
| 8  | The firm has subdivided the audit team based on industry  |   |   |   |   |   |
| 9  | The firm has built up long term relationship with its client  |   |   |   |   |   |
| 10 | Majority of the auditors must be member of the professional accounting body   |   |   |   |   |   |
| 11 | Firm provides auditing training on clarified ISA and ISQC regularly to the staff.   |   |   |   |   |   |
| 12 | Audit staffs are required to achieve the Continuing Professional Education although they are not the member of professional accounting body.                          |   |   |   |   |   |

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**Section A: Resource and Practice ( Cont')**

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For each statement, tick ( ✓ ) on the appropriate box using the scale from number 1 to 5 with 1 being “Strongly Disagree” and 5 being “Strongly Agree”.

| No | Description  | 1 | 2 | 3 | 4 | 5 |
|----|--|---|---|---|---|---|
| 13 | The firm has appropriate performance appraisal system to motivate the audit staff to comply with clarified ISA and ISQC                  |   |   |   |   |   |
| 14 | The firm has appropriate recruitment procedure in recruiting quality audit staff   |   |   |   |   |   |
| 15 | The remuneration policy of the firm is sufficient to attract, retain and motivate the audit staff to comply with clarified ISAs and ISQC |   |   |   |   |   |
| 16 | The auditors have appropriate knowledge and skill to perform the audit work in compliance with Clarified ISAs and ISQC                   |   |   |   |   |   |
| 17 | The auditors have commitment and good attitude in performing the audit for the client by complying with the Clarified ISAs and ISQC      |   |   |   |   |   |
| 18 | The firm charges audit fees at higher than market rate to the client   |   |   |   |   |   |
| 19 | The firm earns higher than market norm profit for the past 5 years   |   |   |   |   |   |
| 20 | The firm has allocated sufficient budget for training on Clarified ISAs and ISQC   |   |   |   |   |   |
| 21 | The firm has established international affiliations to widen their networking with other audit firms worldwide.                          |   |   |   |   |   |
| 22 | The firm is part of a highly structured network where all the member firms are required to adopt the standardized audit methodology      |   |   |   |   |   |
| 23 | The firm has formed local network with other audit firms and other service providers   |   |   |   |   |   |
| 24 | The firm regards internal culture as critically important in striving excellence in relation to audit quality                            |   |   |   |   |   |
| 25 | The firm has structured audit programme incorporating the updated Clarified ISAs and ISQC.   |   |   |   |   |   |
| 26 | The firm has high quality technical support team on Clarified ISAs and ISQC  |   |   |   |   |   |
| 27 | The firm has audit quality control system required and complied with ISQC.   |   |   |   |   |   |
| 28 | The firm has incorporated the clarified ISAs and ISQC in their audit methodology and firm policy.  |   |   |   |   |   |

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**Section B: Items impact the timeliness of delivery of audit report**

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**The following information is related to the items that impact the timeliness of delivery of audit report.**  
Please tick to what extent the following **items impact the timeliness of delivery of audit report** using the scale from number 1 to 5 with 1 being “low impact” and 5 being “high impact”.

| No | Description  | 1 | 2 | 3 | 4 | 5 |
|----|--|---|---|---|---|---|
| 1  | The overall adoption of Clarified ISAs and ISQC  |   |   |   |   |   |
| 2  | The high level of audit documentation required by Clarified ISAs   |   |   |   |   |   |
| 3  | The quality control system required by ISQC  |   |   |   |   |   |
| 4  | Clarified ISAs requirement for the auditor to assess the risk critically   |   |   |   |   |   |
| 5  | Clarified ISAs requirement for the auditor to exercise their professional scepticism in evaluating the accounting estimate |   |   |   |   |   |
| 6  | Clarified ISAs requirement for auditor to evaluate the result and scope of external expert                                 |   |   |   |   |   |
| 7  | Clarified ISAs requirement for auditor to focus on related party transaction   |   |   |   |   |   |
| 8  | Clarified ISAs requirement for auditor to communicate the internal control deficiency to those charged in governance       |   |   |   |   |   |
| 9  | Clarified ISA requirement for the auditor to using the top down approach in group auditing                                 |   |   |   |   |   |

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**Section C: Perceived level of adoption of Clarified ISAs and ISQC in your firm**

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The following information is related to the perceived level of adoption of the clarified ISAs and ISQC in your firm. Please tick the level of adoption that you perceived the firm has adopted for the list of Clarified ISAs and ISQC as shown below:

| No | Description   | Low | Medium | High | N/A |
|----|---|-----|--------|------|-----|
| 1  | ISA 200, Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing |     |        |      |     |
| 2  | ISA 210, Agreeing the Terms of Audit Engagements  |     |        |      |     |
| 3  | ISA 220, Quality Control for an Audit of Financial Statements   |     |        |      |     |
| 4  | ISA 230, Audit Documentation  |     |        |      |     |
| 5  | ISA 240, The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements   |     |        |      |     |
| 6  | ISA 250, Consideration of Laws and Regulations in an Audit of Financial Statements  |     |        |      |     |
| 7  | ISA 260, Communication with Those Charged with Governance   |     |        |      |     |
| 8  | ISA 265, Communicating Deficiencies in Internal Control to Those Charged with Governance and Management                                   |     |        |      |     |
| 9  | ISA 300, Planning an Audit of Financial Statements  |     |        |      |     |
| 10 | ISA 315, Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment                |     |        |      |     |
| 11 | ISA 320, Materiality in Planning and Performing an Audit  |     |        |      |     |
| 12 | ISA 330, The Auditor's Responses to Assessed Risks  |     |        |      |     |
| 13 | ISA 402, Audit Considerations Relating to an Entity Using a Service Organization  |     |        |      |     |
| 14 | ISA 450, Evaluation of Misstatements Identified during the Audit  |     |        |      |     |

***Section C: Perceived level of adoption of Clarified ISAs and ISQC in your firm( Cont')***

The following information is related to the perceived level of adoption of the clarified ISAs and ISQC in your firm  
Please tick the level of adoption that you perceived the firm has adopted for the list of Clarified ISAs and ISQC  
as shown below:

| No | Description   | Low | Medium | High | N/A |
|----|---|-----|--------|------|-----|
| 15 | ISA 500, Audit Evidence   |     |        |      |     |
| 16 | ISA 501, Audit Evidence-Specific Considerations for Selected Items  |     |        |      |     |
| 17 | ISA 505, External Confirmations   |     |        |      |     |
| 18 | ISA 510, Initial Audit Engagements-Opening Balances   |     |        |      |     |
| 19 | ISA 520, Analytical Procedures  |     |        |      |     |
| 20 | ISA 530, Audit Sampling   |     |        |      |     |
| 21 | ISA 540, Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures      |     |        |      |     |
| 22 | ISA 550, Related Parties  |     |        |      |     |
| 23 | ISA 560, Subsequent Events  |     |        |      |     |
| 24 | ISA 570, Going Concern  |     |        |      |     |
| 25 | ISA 580, Written Representations  |     |        |      |     |
| 26 | ISA 600, Special Considerations-Audits of Group Financial Statements (Including the Work of Component Auditors) |     |        |      |     |
| 27 | ISA 610, Using the Work of Internal Auditors  |     |        |      |     |
| 28 | ISA 620, Using the Work of an Auditor's Expert  |     |        |      |     |
| 29 | ISA 700, Forming an Opinion and Reporting on Financial Statements   |     |        |      |     |
| 30 | ISA 705, Modifications to the Opinion in the Independent Auditor's Report                                       |     |        |      |     |
| 31 | ISA 706, Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report          |     |        |      |     |

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***Section C: Perceived level of adoption of Clarified ISAs and ISQC in your firm( Cont')***

The following information is related to the perceived level of adoption of the clarified ISAs and ISQC in your firm  
Please tick the level of adoption that you perceived the firm has adopted for the list of Clarified ISAs and ISQC  
as shown below:

| No | Description  | Low | Medium | High | N/A |
|----|--|-----|--------|------|-----|
| 32 | ISA 710, Comparative Information-Corresponding Figures and Comparative Financial Statements  |     |        |      |     |
| 33 | ISA 720, The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements   |     |        |      |     |
| 34 | ISA 800, Special Considerations-Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks  |     |        |      |     |
| 35 | ISA 805, Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement  |     |        |      |     |
| 36 | ISA 810, Engagements to Report on Summary Financial Statements   |     |        |      |     |
| 37 | International Standard on Quality Control (ISQC) 1, Quality Controls for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements |     |        |      |     |



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***Section D: Feedback of post implementation of Clarified ISAs and ISQC***

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The following information is related to feedback on the post implementation of the Clarified ISAs and ISQC. For each statement, tick (✓) on the appropriate box using the scale from number 1 to 5 with 1 being “Strongly Disagree” and 5 being “Strongly Agree”.

| No | Description  | 1 | 2 | 3 | 4 | 5 |
|----|--|---|---|---|---|---|
| 1  | The requirements in the clarified ISAs are clear and understandable within the auditors in your firm and between different branches in Malaysia                |   |   |   |   |   |
| 2  | The role, purpose, objectives and requirements in clarified ISAs are clear.  |   |   |   |   |   |
| 3  | The extent and nature of the application and other explanatory material are sufficient to provide basis understanding of the requirement in the clarified ISAs |   |   |   |   |   |
| 4  | Overall, the revised structure of the Clarified ISAs is helpful in promoting understanding of the requirement  |   |   |   |   |   |
| 5  | The Clarified ISAs is able to be translated into other languages in a manner that enables their consistent application.  |   |   |   |   |   |
| 6  | There is an evidence showing different interpretation of the ISAs occurring at the current office location at different state in Malaysia                      |   |   |   |   |   |
| 7  | The objectives set out in clarified ISAs assist the auditor in determining whether additional procedures are needed  |   |   |   |   |   |

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***Section D: Feedback of post implementation of Clarified ISAs and ISQC(Cont.)***

---

The following information is related to feedback on the post implementation of the Clarified ISAs and ISQC. For each statement, tick (✓) on the appropriate box using the scale from number 1 to 5 with 1 being “Strongly Disagree” and 5 being “Strongly Agree”.

| No | Description   | 1 | 2 | 3 | 4 | 5 |
|----|---|---|---|---|---|---|
| 8  | The objectives set out in clarified ISAs assist the auditor in evaluating whether sufficient and appropriate audit evidence has been obtained |   |   |   |   |   |
| 9  | Clarified ISAs drive the auditor to focus on area of risk in their work effort  |   |   |   |   |   |
| 10 | Audit of accounting estimate, including fair values is sufficiently rigorous in Clarified ISAs  |   |   |   |   |   |
| 11 | Expert and specialist are appropriately involved in audits as designed in Clarified ISAs  |   |   |   |   |   |
| 12 | Group auditor are appropriately involved in audit of the component as prescribed in Clarified ISAs  |   |   |   |   |   |
| 13 | Audit of related parties and related party transaction is sufficiently covered in Clarified ISAs  |   |   |   |   |   |
| 14 | Audit firms have appropriate quality control policies and procedures as required by ISQC  |   |   |   |   |   |
| 15 | Communication between auditor and those charged with governance is appropriate and timely as prescribed in Clarified ISAs                     |   |   |   |   |   |
| 16 | There is no requirement in Clarified ISAs that do not seem necessary to meet the relevant ISA's Objective                                     |   |   |   |   |   |
| 17 | Clarified ISAs result in appropriate amount of documentation of audit.  |   |   |   |   |   |

### Section E: Firm Profile:

|   |  |
|---|--|
| <p><b>A1 Annual Turnover</b></p> <p><input type="checkbox"/> Less than RM5m</p> <p><input type="checkbox"/> RM5m-RM10m</p> <p><input type="checkbox"/> RM11m-RM49m</p> <p><input type="checkbox"/> RM50m-RM99m</p> <p><input type="checkbox"/> RM100m and above</p>   | <p><b>A4 Ownership structure</b></p> <p><input type="checkbox"/> Sole Proprietor</p> <p><input type="checkbox"/> Partnership (2-5 partners)</p> <p><input type="checkbox"/> Partnership(6-9 partners)</p> <p><input type="checkbox"/> Partnership(<math>\geq 10</math> partners)</p> <p><input type="checkbox"/> Others please specify_____</p>        |
| <p><b>A2 Number of Employee</b></p> <p><input type="checkbox"/> Greater than 500</p> <p><input type="checkbox"/> 250-500</p> <p><input type="checkbox"/> 100-249</p> <p><input type="checkbox"/> 50-99</p> <p><input type="checkbox"/> Less than 50</p>   | <p><b>A5 Clientele Structure</b></p> <p>Small and medium enterprise <input style="width: 100px;" type="text"/></p> <p>Multinational Organization <input style="width: 100px;" type="text"/></p> <p>Public Listed Company <input style="width: 100px;" type="text"/></p> <p>Other <input style="width: 100px;" type="text"/></p> <p>Percentage 100%</p> |
| <p><b>A5 Clientele Structure</b></p> <p>Small and medium enterprise <input style="width: 100px;" type="text"/></p> <p>Multinational Organization <input style="width: 100px;" type="text"/></p> <p>Public Listed Company <input style="width: 100px;" type="text"/></p> <p>Other <input style="width: 100px;" type="text"/></p> <p><u>Percentage</u> 100%</p> | <p><b>A5 Year of Operation</b></p> <p><input type="checkbox"/> More than 50 years</p> <p><input type="checkbox"/> 31-50</p> <p><input type="checkbox"/> 21-30</p> <p><input type="checkbox"/> 11-20</p> <p><input type="checkbox"/> Less than 10 years</p>   |

## Section F: Company Communication

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Firm Name : \_\_\_\_\_ (Optional)

(Kindly be assured that your company name will not be disclosed in the research report)

Do you want to have a summary of the research report?

[ ☐ ] Yes [ ☐ ] No

If YES, please state your name and email address or attach your name card when returning this questionnaire:-

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**Kindly return the completed questionnaire at the following address to us in the postage paid return envelope or scan and email to Mr. Ang Soon Yong at [angsy@utar.edu.my](mailto:angsy@utar.edu.my)**

**Correspondence Address:**

**Dr.Nurmazilah Mahzan  
Deputy Dean (Undergraduate)  
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**Thank You for your time and participation  
Information provided will be held in strictest confidence**